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CONFIDENTIAL

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PART III.

FURTHER CORRESPONDENCE

RESPECTING THE

BAGDAD RAILWAY.

30

1906.

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BAGDAD RAILWAY.

[March 6.]

CONFIDENTIAL.

SECTION 1.

[7929]

No. 1.

India Office to Foreign Office.—(Received March 6.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and, by direction of Mr. Secretary Morley, forwards herewith, for the information of the Secretary of State, copy of inclosure in a letter from the Foreign Secretary to the Government of India, dated the 1st ultimo, relative to an offer of the German Consul at Bagdad to subsidize the Carmelite schools in Turkish Arabia.

India Office, March 5, 1906.

Inclosure in No. 1.

Extract from the Diary of the Turkish-Arabia Political Residency for the Week ending January 1, 1906.

December 26.—I learn on good authority that the German Consul here has offered to subsidize liberally the Carmelite schools in this country if they will undertake to teach German. He said that as the Bagdad Railway was near at hand it was important that the German language should be diffused in these parts.

This intelligence appears to me to be important as showing the intention to spread German influence through this country.
(Sent to Embassy, Constantinople.)

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Further Correspondence respecting the Bagdad Railway.

PART III.

[7929]

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(Sent to Embassy, Constantinople.)

[8543]

No. 2.

Sir N. O'Connor to Sir Edward Grey.—(Received March 12.)

(No. 148.)

Sir,

Constantinople, March 5, 1906.

WITH reference to my despatch No. 61 of the 3rd ultimo, I have the honour to forward herewith a despatch from His Majesty's Agent and Consul-General at Bagdad, reporting on German activity in Mesopotamia.

I have, &c.
(Signed) N. R. O'CONOR.

Inclosure in No. 2.

Consul-General Newmarch to Sir N. O'Connor.

(No. 168/13.)

Sir,

Bagdad, February 5, 1906.

IN continuation of my despatch, dated the 2nd February, 1906, I have the honour to submit, for your Excellency's information, the following further extract from my diary to the Government of India of to-day's date:—

"I hear that the new German Consul at Mosul is Herr André, who was for some time employed on the excavations at Babylon.

"He is clever and capable.

"I also hear that several German topographical parties have begun surveying in Northern Mesopotamia, but in this respect my information is at present indefinite."

I have, &c.

(Signed) L. S. NEWMARCH.

[10387]

No. 3.

Sir N. O'Connor to Sir Edward Grey.—(Received March 26.)

(No. 184. Secret and Confidential.)

Sir,

Constantinople, March 20, 1906.

IN my despatch No. 563 of the 15th August last I reported that the German Syndicate, formed under the auspices of the Deutsche Bank to obtain a Concession for the working of the petroleum fields in Mesopotamia, was on the point of renewing the Provisional Agreement with the Civil List for another year, and that the Agreement conferred on it the same advantages and privileges as a "permis de recherches." I have since learnt, however, that what the Germans really obtained was an option for the Concession on equal terms with those offered by any other group that might come forward.

Quite recently, the Palace being in want of an advance of £ T. 50,000, the Civil List was instructed to invite the German Syndicate to take up the option at the price of the above sum, but the Germans, convinced that their position was absolutely secure, and that they could afford to defer taking any action until their railway schemes were further advanced, and having also, so I am informed, some difficulty in finding the money, were unwilling to give more than £ T. 25,000, and the proposal of the Civil List was formally rejected by M. Huguenin on behalf of the Syndicate. The Germans having thus declined to exercise their preference rights, the Civil List was instructed by Imperial Irade to offer the Concession on similar terms to any other group of repute, and commenced negotiations with Messrs. Gilchrist and Walker, an English firm of this city, who have been carefully watching the question in the interests of Mr. D'Arcy and his friends, who hastened to take advantage of the opportunity thus offered. They have accordingly been treating with the Civil List for the transfer of the option for a period of three months to a M. Eichstorf, a Dutch lawyer, acting in their name, and the negotiations have reached a point which appears to promise immediate success. The matter stands as follows: The Civil List state that, to enable them to submit the proposed transfer of the option to M. Eichstorf for the Imperial sanction, they must be furnished with a written declaration from a bank of standing that that gentleman is in a position to pay the £ T. 50,000 on the signature of the contract of concession, and as, in order to prevent the negotiations coming to the knowledge of the Germans, they have requested that the matter may not be mentioned to the Imperial Ottoman Bank or Crédit Lyonnais, Messrs. Gilchrist and Walker have, with the approval of the Civil List, applied to the Banque Nationale of Athens. Messrs. Gilchrist and Walker have no doubt as to the readiness of this bank to give the required declaration, but they have not been able to obtain it owing to the absence from Constantinople of M. Calcarawski, the local Director. They expect him to return in a day or two, and are confident that they will then immediately secure the option for the Concession.

The Concession is to cover not only Mesopotamia but the whole of the Vilayets of Bagdad and Mosul, and the £ T. 50,000 is not to be paid over until after the signature of the contract of concession between the Civil List and a Company to be formed within three months, for which the option holds; it is, moreover, to be regarded as a loan to be paid back gradually out of the royalties on the raw oil extracted.

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Messrs. Gilchrist and Walker have secured powerful support at the Palace, and they are convinced that when once they are in possession of the option, the eventual Concession is assured to them.

I need not dwell on the advantages which must result to us from the acquisition by a British capitalist of a Concession covering the two provinces of Mosul and Bagdad, nor on the commanding position we should acquire thereby in relation to the questions connected with the Bagdad Railway. I venture, however, to suggest that Mr. D'Arcy might be informed confidentially of the situation as it now stands, in case there should be any difficulty or delay in Messrs. Gilchrist and Walker obtaining the declaration required by the Civil List. Mr. D'Arcy is already, I believe, aware that negotiations are in progress with the Civil List, but I am given to understand that for various reasons Messrs. Gilchrist and Walker are unwilling to approach him with any request for financial support in this matter until they have actually obtained possession of the option and are in a position to offer it to him.

I have, &c.

(Signed) N. R. O'CONNOR.

[10389]

No. 4.

Sir N. O'Connor to Sir Edward Grey.—(Received March 26.)

(No. 186.)

Sir,

Constantinople, March 20, 1906.

WITH reference to my despatch No. 643 of the 19th September, 1905, I have the honour to transmit herewith copy of a despatch from His Majesty's Consul at Huesorah inclosing copies of letters which he has received from the local agent of Messrs. Lynch Brothers, and from Captain Denne, of the Turkish steamer "Hamidieh," with reference to the competition between the Euphrates and Tigris Steam Navigation Company and the Hamidieh Steam-ship Company.

Mr. Crow offers some interesting remarks on this correspondence, but I think it is also worth noting that the letter of Messrs. Lynch's agent clearly recognizes that there is ample and remunerative work for both Companies on the Tigris; and the fact that his Company have not thought it necessary to lower their cargo rates to the charges made by the Hamidieh Administration may be taken as a sure proof that Messrs. Lynch's steamers have quite as much of the carrying trade as they can conveniently handle, and that the competition of the Turkish steam-boats is not sufficiently severe to affect their profits.

I have, &c.

(Signed) N. R. O'CONNOR.

Inclosure 1 in No. 4.

Consul Crow to Sir N. O'Connor.

(No. 9.)

Sir,

Huesorah, February 22, 1906.

I HAVE the honour to transmit herewith, inclosed to your Excellency, copies of letters received from Messrs. Lynch Brothers, and Captain Denne, of the Turkish steamer "Hamidieh," with reference to the competition between the two Tigris River Companies.

Transport on the river is less congested than formerly. Messrs. Lynch Brothers state that there is less cargo to carry, while, from Captain Denne's letter, it would appear that the Turkish line secures the bulk of the direct cargo from home and Lynch's Company that forwarded in transit via Bombay.

The "Hamidieh's" engines have lately broken down, and the vessel is laid up temporarily. I am informed that the Turks are at a loss how to repair them, as the English engineers have left. I have no further information regarding the purchase by the Turks of vessels in Belgium, beyond the statements in the inclosed letters. Messrs. Lynch Brothers suffer considerable annoyance from the arbitrary proceedings of the Hamidieh Administration's servants in river matters. I have brought instances of the bad behaviour of the latter to the Vali's notice, and have asked him to caution the Manager. I am, however, as yet unable to say whether my representations have had the desired effect. I think—at present, at all events—that Messrs. Lynch Brothers are more likely to suffer from the bad handling of the Turkish vessels than

from the effects of any genuine competition in the carrying trade of the river; but the "Hamidieh" undoubtedly takes a large proportion of the through cargo to Bagdad.

I have, &c.
(Signed) F. E. CROW.

Inclosure 2 in No. 4.

Mr. S. Dods to Consul Crow.

(Private and Confidential.) Euphrates and Tigris Steam Navigation Company,
Dear Mr. Crow, Bussorah, February 16, 1906.

WITH regard to your request for confidential information about the Hamidieh Steam-boat Administration.

The competition experienced by our Company during 1905 has been very keen, especially for the native passenger traffic.

The increase of their fleet by the steamers "Hamidieh" and "Burhanieh" should have enabled them to deal with double the amount of cargo they were formerly able to carry. However, the expectations about the performance of these steamers has not been fulfilled. They are faulty in design, and inferior material has been used in their construction, consequently they are frequently breaking down.

Both these steamers have been dispatched from Bussorah either a day or a few hours, as occasion demanded, ahead of our steamers in order to attract the native passengers.

Cargo rates have been reduced by them to 2s. 6d. lower than our Company's. Our figures for through cargo (i.e., booked in Europe) from Bussorah to Bagdad are at present 32s. 6d. per ton for general cargo, and 30s. per ton for sugar.

It is reported that the Hamidieh Steam-boat Administration have purchased two new steamers from Messrs. Cookerill and Co., of Belgium, and we presume the Turks will take due care that the faults which have come to light in the "Hamidieh" and "Burhanieh" will not be again repeated.

When these steamers commence running, the competition will no doubt be even keener than it now is.

May I draw your attention to the following incidents, which only too plainly illustrate the risks encountered by our steamers when meeting the Turkish steamers while under weigh.

While lying at anchor at Bussorah on the night of the 29th April last, our steam launches "Ishtar" and "Asp" were damaged to the extent of over 200%, and our steamer "Blaise Lynch" at the same time was nearly run down by the Hamidieh Steam-boat Administration Company's steamer "Ressafah."

On the 29th December their steamer "Mosoul" ran into and sank the barge of the "Bagdad" while they were stopped alongside the bank near Khalat-Saleh.

Since the "Ressafah" collided with the "Khalifah" in December 1902, our steamers stop and keep as near the bank as possible when they meet the Turkish steamers.

In connection with the damage sustained by our launches, Lloyd's agents were requested by the underwriters to prosecute the Hamidieh Steam-boat Administration, but they replied and informed the underwriters that to do so would only be throwing money away. The "Hamidieh" and "Burhanieh" are officered by natives (with the exception of one European) who have no professional training, and with two more powerful Turkish steamers on the river, also being run by incompetent officers, the risk of accident by collision to our steamers will be greater than before.

I would also beg to remind you that it is now four years our Company has been defending the "Khalifah"-"Ressafah" case, where a sum of £T. 16,750 is claimed. The fact that the Turkish Government are the prosecutors debar our Company from obtaining justice, and the poor consolation we have to accept is that we can appeal against the inevitable adverse verdict and carry the case to Constantinople, which will entail additional heavy expenses.

If the object of the Turks is to demonstrate the impossibility of our Company obtaining redress for accidents caused by those in command of their steamers they have every reason to be satisfied with their tactics.

Yours very truly,
(Signed) SAMUEL DODDS.

Inclosure 3 in No. 4.

Captain Denne to Consul Crow.

Dear Mr. Crow,

"Hamidieh," at Bussorah, February 2, 1906.

I AM sorry, I had so much to do during my stay here last voyage, that your note entirely escaped my memory.

I do not know that there is much to say about our steamers. There are always two sent from Bussorah to Bagdad every week, and they seem to be paying very well indeed.

I think we have the larger proportion of cargo from home. The transshipment cargo via Bombay is, I think, mostly handled by Lynch's boats. We get most of the deck passengers, and Lynch, partly owing to their arrangement with the British India, carry nearly all the European passengers.

Two more boats are to be built in Belgium, I believe, but I cannot say when they are to be delivered. Probably at the end of this year.

There is very great need on this river of a Conservancy Department for the removal of wrecks, &c., and a few lights would not do any harm; but I do not suppose the amount of British shipping at present up here would justify you in raising the question if you felt disposed to.

There seems an idea amongst the unthinking part of the population that I am bribed by Lynch to run my steamer detrimental to the interests of the Senes. It is, of course, ridiculous; and as a matter of fact the "Hamidieh" runs much more regularly and with less accidents, &c., than the "Burhanieh," which is commanded by a Turkish marine officer.

Lynch's steamers have run like clocks during the last year, and I much fear that our two new steamers, although they are perhaps faster, cannot become such a well-conducted concern as Lynch Company.

The deck passengers travel by our steamers principally on account of the fare being generally less.

There was an accident the other day which resulted in the sinking of one of our cargo barges. The cargo was saved, but the barge is a total wreck.

I do not think there is anything more to say, and this is very little.

Yours truly,
(Signed) G. H. A. DENNE.

[10401]

No. 5.

Sir N. O'Connor to Sir Edward Grey.—(Received March 26.)

(No. 187.)

Sir,

Constantinople, March 20, 1906.

I HAVE the honour to transmit herewith copy of a Memorandum by Mr. Mark Sykes, Honorary Attaché to His Majesty's Embassy, on certain aspects of the Bagdad Railway.

It is an interesting study on the chances of the appropriation of the surplus revenues of the Public Debt or other State resources of the Ottoman Empire to a kilometric guarantee of the railway in question.

The information, as embodied in this Memorandum, has been obtained from reliable sources, and is accurate up to the date of its completion.

The competition between the Ottoman Bank, which is supported by the pressing needs of the Imperial Treasury and the Bagdad Railway Company, diminishes the probability of this surplus being obtained by the latter.

In fact, I understand that the surplus of 1900 is already partly hypothecated to the bank, and that the latter are in negotiation for further loans, to be secured on the surplus of 1907-1908.

I have, &c.
(Signed) N. R. O'CONNOR.

[1637]

C

Memorandum by Mr. Sykes respecting the Bagdad Railway.

IT is now nearly two years since the first section of the Bagdad Railway was completed, and rumours have long been abroad to the effect that the immediately ensuing sections will presently be undertaken. The following figures may assist in forming a judgment as to whether this is possible or no without British co-operation:—

Before going further, it would be as well to inquire into the working of the system of kilometric guarantees on State-supported lines in the Ottoman Empire. The scheme is briefly as follows:

A Company undertakes to construct a line of a certain length, and the Ottoman Government guarantees that the Company's annual receipts shall reach a certain specified sum per kilometre—that is to say, if a Company build a line 20 kilom. in length and the Government guarantees 1,000 fr. per kilometre, and in a given year the Company's actual receipts amount to 500 fr. per kilometre or 10,000 fr. on the whole line, the Government is obliged to provide 10,000 fr. to make up the deficiency between the sum guaranteed and the Company's receipts.

To the payment of the guarantee the Government ear-marks certain revenues for the purpose, which are then collected by the Administration of the Public Debt; but it is as well to make it clear that these ear-marked revenues are never equal in value to the whole guarantee, as the fact that the railway will have at least some receipts is naturally taken for granted, though, speaking generally, the ear-marked revenues usually exceed the anticipated deficit in the Company's receipts by a considerable sum.

Whatever be the difference between the deficit in receipts and the yield of the ear-marked revenues is handed over to the Ottoman Government; such money is termed a surplus, and will be referred to as such in this Memorandum. The surpluses on the various railways are liable to fluctuations from two causes:—

1. Amount of receipts on the railways.
2. Amount yielded by the ear-marked revenues.

The amounts of the kilometric guarantees naturally vary on the different lines, as do the proportionate values of the ear-marked revenues assigned to make them good. This has led, on occasions, to considerable surpluses on some lines and actual deficits in guarantees on others. However, as the total surpluses completely outbalance the total deficits, the whole of the guaranteed railways in the Ottoman Empire came to an understanding by which it was agreed that any deficit on any one line should be made good out of the total surplus of the remainder; this agreement has the tacit consent of the Government, and the present arrangement is that the Debt pools the whole of the ear-marked revenues and pays each Company the sum required to make up the deficit between its receipts and its guarantee.

The average total surplus of the various ear-marked revenues over the total deficits on the railways of Turkey, including the surplus on the Osmanieh and Fisheries Loans, stands at £ T. 329,737 for 1900, 1901, 1902, 1903, 1904. This surplus, in spite of occasional bad years, is increasing, partly owing to the general increase of receipts by Railway Companies and partly owing to the increase of the value of the ear-marked revenues. In the year 1904 the surplus was £ T. 340,000, and in 1905 £ T. 316,000.

It now remains to consider the financial arrangements laid down by the Bagdad Convention for the construction of the sections of the Bagdad Railway. It was agreed that for each section a loan should be made on securities given by the Ottoman Government, that this capital should defray the cost of construction of the section, and that when the section was in working order the Turkish Government would give a kilometric guarantee to cover working expenses.

By section 35 of the Bagdad Railway Convention it was agreed that the working expenses kilometric guarantee on the first (or Konia-Eregli) section should be met by the surplus on the Anatolian Railways. As this surplus is about £ T. 49,000, and the sum required to make up the guarantee is about £ T. 28,000, there is still a balance of £ T. 23,000 to pool in the general railway surplus of the Empire. The German financiers undoubtedly wish to construct the ensuing sections of the Bagdad Railway, but the next section to be completed presents the greatest difficulties from

a financial point of view, owing to the magnitude of the engineering works necessary for the passage of the Taurus Mountains.

It is laid down in the Bagdad Railway Convention that a loan not exceeding 54,000,000 fr. may be raised to defray the cost of construction of any one section. The next section it is estimated will cost about £ T. 4,000,000. A nominal loan of 54,000,000 fr. issued at the same price as that for the first section will only realize £ T. 2,652,384, or little more than half the sum required. The Germans propose, therefore, to build three sections at once of 200 kilom. each, and as it is estimated the following two sections will only cost £ T. 700,000 apiece, the total cost of the three sections would be £ T. 5,400,000, and the loan to meet the expenditure would produce £ T. 8,150,000, leaving a considerable margin of safety to meet unforeseen difficulties.

The service of this loan would require the assignment of revenues to the extent of £ T. 320,760 per annum. If we take the basis of the Konia-Eregli section the annual sum required to be ear-marked to meet the working expenses-kilometric guarantee would be £ T. 76,000 per annum. The question is therefore whether the Ottoman Government has the revenues at its disposal to produce £ T. 320,760 per annum to meet interest on the loan for construction, and to make up the working expenses-kilometric guarantee on three sections.

The Debt has at present a surplus from tithes of roughly £ T. 300,000, and from the coded revenues an approximate surplus of £ T. 300,000 more, making in all a surplus of about £ T. 600,000. A short time ago a contract was signed for a loan on the surplus of the coded revenues, amounting to 2,500,000L, but owing to some hitch in the negotiations the Ottoman Bank only advanced 1,100,000L. The interest on this advance amounts to a charge of £ T. 56,917 on the surplus revenues of the Debt, leaving a net surplus on the coded revenues of about £ T. 240,000 and £ T. 300,000 surplus on the tithes, making in all a total of £ T. 540,000. For the present year the whole of this surplus has been allocated by the Imperial Ottoman Government for various purposes in their current Budget, but as this is only an act of annual expenditure it in no way makes this surplus unavailable for the purpose of securing a future loan.

The Germans have in hand the sum of at least £ T. 400,000, which was cleared over the construction of the Konia-Eregli section of the Bagdad Railway. This money is at the disposal of those financiers and politicians to whose interest it is to see that the Bagdad Railway is built, and competent judges are of opinion that this sum is sufficiently large to enable them to persuade those in power to assign the remaining surplus of the Public Debt for the purpose of paying for the service of the construction loan, and securing the working expenses-kilometric guarantee of the next three sections.

It may be held that this surplus is liable to fluctuations, and is therefore not good as a security, but a glance at the figures of the Public Debt will show that its only tendency is to increase, for, in spite of political troubles, bad harvests, and inefficient Government, there is a steady rise in the receipts of the railways, which brings with it a corresponding decrease in the sums required to make good the kilometric guarantees, while the tithes assigned to cover the guarantees in question continue to increase in yield and value. Besides these causes of increase in the surplus there is another, in that the annual revenue derived from salt, spirits, stamps, fisheries, and silks has nearly doubled itself in twenty-three years, not by sharp rises, but by a steady and general rise in every item of the revenue. These facts tend to show that the increasing surplus of £ T. 540,000 is a reliable security for the £ T. 320,760 required, for it must be remembered that the £ T. 76,000 hypothecated for the working expenses-kilometric guarantee of the three sections represents a gradually decreasing sum. The Konia-Eregli section, which we took as a basis of calculation, is at present an extremely unfavourable figure. When it is linked to the sea the traffic receipts of the section must almost certainly be doubled, and not only will money be thus released to pay for the working expenses of the two following sections, but they in their turn will begin to contribute considerable receipts to their own support; though, indeed, it would be rash to make any prophecy as to the fourth section, which for the first two years may have but little to do.

Before going further it would be well to consider another argument that has been used to depreciate the value of the revenues hypothecated by the Ottoman Government as security for loans and guarantees, and is based on the fact that the Turkish Government is suspected as being on the verge of internal bankruptcy. It is said, and with

justice, that current expenses can only be met by loans, and that various shifts have to be resorted to to meet the daily wants of the public service.

Thus no doubt is as true to-day as it was yesterday. The difficulties of the Turkish Government are perhaps increasing, but it must be borne in mind that a deficit in the salaries of the officials, a lack of money for military or public works, or a considerable financial cavity at head-quarters does not bring about a corresponding depression in the revenues assigned to the Debt, which depend for their yield, not on

in the day of distress, but on the industry of the peasants, the richness of the soil, and the method of collection, three factors which are not influenced by the financial straits of the bureaucracy: in fact, the Government's difficulties arise from an increasing expenditure, and not from a decrease in the potential wealth of the country. Once a revenue comes into the hands of the Public Debt, for the purpose of securing a loan or making up a guarantee, there is no doubt as to its disposal, only the surplus

the investment of capital in Turkish loans cannot be denied, but it may be that they are not as formidable as they appear. The first danger is a war with Bulgaria, which, so long as it lasted, might swallow up all the hypothecated revenues; but on the other hand it is hardly possible that such a war could last above six months without coming to a decisive issue one way or another, and the Debt has guarded against such a contingency by the establishment of a sinking fund, which at present would cover a full year's deficit. The second danger which bondholders have to face is a general internal financial crash, resulting from an absolute lack of ready money at the Treasury with which to silence the clamours of the unpaid officials, both military and civil. It is just possible that at such a crisis a desperate move might be made to seize the unmarked revenues assigned to the Debt; but in such a case the Great Powers could not permit such an event to take place, their combined interests would be too great to allow any

of a general financial control would become a matter of necessity, and such a control would certainly guarantee the interests of the bondholders. It will be readily under-

I, therefore, why it is that German financiers are prepared to face these risks, alone

There is, however, one point to be considered as regards the possibility of the Germans being given the net surplus of the Debt as a security, and that is that there are other financiers in the field who desire to obtain that surplus from the Ottoman Government. It has been shown that the gross surplus of the Debt has already been

a loan of 1,100,000, which has been

never wholly advanced. It is now

ating the increase of the

districts which will be traversed by

There is one other point on which it may be well to touch before closing this Memorandum, and that is, the alternative scheme of which the Germans may avail themselves supposing the financial and engineering difficulties of the Taurus prove too serious an impediment to their plans. By the Bagdad Railway Convention it is agreed that the Bagdad-Basra section shall not be exploited until the whole of the trunk line is completed. This clause does not preclude the building and working of other sections, and now that the Germans have control of the Mesina-Adana line there is nothing to prevent them from building and exploiting the whole

of the line between Adana and Bagdad in which case Adana could be linked with Bregli when sufficient money had been laid aside from loans and profits on construction of the Bagdad-Adana sections to overcome the difficulties of the mountain range.

Constantinople, March 1, 1908.

(11328)

No. 6

Sir N. O'Connor to Sir E. Grey.—(Received April 2.)

(No. 191.)

Sir,

Constantinople, March

WITH reference to my despatch No. 148 of the 5th instant, I have the honour to forward herewith a despatch from His Majesty's Consul-General at Bagdad, in which mention is made of the appointment in the near future of a Russian and a Persian Consul at Mosul.

I have, &c.

(Signed) N. R. O'CONNOR.

Inclosure in No. 6

et al Newmarch to Sir N. O'Connor

No. 22, 22

Sir,

Bagdad, February 15, 1908.

IN continuation of my despatch, dated the 12th instant, I have the honour to submit for your Excellency's information, the following further extract from my diary to the Government of India in the Foreign Department.

Herr Andre, the German Consular Agent at Mosul, whom the British Consular Agent at that place now describes as a Vice-Consul, has exchanged visits with the British Consular Agent there, and shown himself to be very friendly to the Consular Agent.

The British Consular Agent reports that a Russian and a Persian Consul are shortly to be appointed to Mosul.

I have, &c.

(Signed) L. S. N.

(11174)

No. 7.

Mr. Spring-Rice to Sir Edward Grey.—(Received April 2)

(No. 213. Confidential.)

Sir,

St. Petersburg, March 28, 1908.

I BEG to thank you for the communication of the Memorandum of the Director of Military Operations, dated the 22nd February, relative to the new Russian road from Kaxin to Hamadan.

I am to submit the following observations—

ago the Germans possessed a Concession to Kermanshah, which lapsed owing to the Russian Legation, which, I believe, has serious consequences if the road were constructed and worked by the

Should the Anatolian line be continued to Bagdad, and a branch line constructed to the Persian frontier at Khamkin, and the former German Concession for the Kermanshah line be revived, the Germans would control the pilgrim route to Karbelah which is the only line in Persia which is certain to pay. The traffic on it would be considerable and constant.

Counted German Minister to Persia, who, as I hear, will be provided with strong letters of recommendation from the Sultan to the Shah, has been connected for some time with the Deutsche Bank and the Bagdad Railway, on which subject he is considered a specialist. It is not unreasonable to suppose that his mission may be

not unconnected with a project for linking up the Bagdad Railway with Persia by means of a road via Kharakin. Such a scheme will nearly affect Russian interests in Persia. It will be a road which extends to Julfa, on the Araxes, and a road is constructed to Tabreez which can be readily converted into a railway. From Tabreez to Hamadan via Kazvin, as is pointed out in the Memorandum of the 22nd February, the construction of a railway may be to be in preparation. The line to Tabreez should be a paying undertaking, as the province tapped is one of considerable fertility. The continuation to Hamadan would not apparently be profitable. But from Hamadan to Bagdad (should a line be constructed) the pilgrim traffic insures the profitable nature of the undertaking.

are completed, which would be the work of years), the Russian route via Persia would seem, from the commercial point of view, a more promising undertaking, and one which should prove more attractive to capitalists. Thus, in the race to Bagdad, Russian enterprise might have a reasonable chance of winning, if supported by the necessary capital. The obstacles are mainly political—i.e., the objections of England in Persia and of Germany in Turkey. Should these objections be overcome, Russia would command a direct route to the south via Persia and Bagdad. If, at the same time, England were entrusted with the construction of a line from Koweit to Bagdad, the interests of Germany, England, and Russia would all have due consideration. If there were objections to the division of the line into spheres of interests, the whole railway system, with its ramifications, could be internationalized, and worked in the common interests of the world.

The French Ambassador informs me that some plan would be viewed not unfavourably in Paris, where it is believed that unless Germany participate in the construction of the Bagdad Railway it will eventually be constructed by Germany alone. Russia, however, has objected, and without the consent of Russia the participation of France and England would be merely playing into Germany's hands, and quite needlessly alienating Russia for the benefit of Germany. But if Russia could be induced to withdraw her opposition, France would gladly enter into the German scheme. I have since understood, though not with positive certainty, that Count Witte is not averse to the construction of the Bagdad Railway on the understanding that Russia receives the right of joining up her own system with the projected line. I venture to point out that if a line were constructed from the Gulf to Bagdad, England would also receive certain commercial facilities which would be of great value. It might thus be possible to reconcile the conflicting interests by a general scheme which would do justice to the claims of all parties concerned. But it is evident that if Germany obtains the concession to Kermanshah and Hamadan the combination above outlined becomes impossible, and that it might, therefore, be as well that the Governments of England and Russia should interchange views as to the course to be taken in view of such an eventuality.

In conversation with M. Hartwig, I have touched lightly on these considerations. He has expressed himself strongly on the subject of a possible German Railway Concession in Persia, and told me that he did not believe that his Government could be brought to consent to it.

I have, &c.
(Signed) CECIL SPRING-RICE

11903]

No. 8.

Question asked in the House of Commons, April 4, 1906.

Mr. RICE.—To ask the Secretary of State for Foreign Affairs whether he will make inquiries as to the progress of the Bagdad Railway scheme since the first section was completed in 1904, and whether he will communicate such information as he may obtain.

Answer.

As we are not parties to the scheme we have no means of knowing anything except the actual progress of the railway, of which the first section has been completed, and that is all so far. When any more progress is made we shall be kept informed.

[11903]

No. 9

Sir Edward Grey to Sir N. O'Connor

(No. 129)

Sir,

Foreign Office, April 6, 1906

I TRANSMIT to you herewith copy of a Parliamentary question and answer respecting the progress of the Bagdad Railway scheme.*

In order that I may be in a position to reply to questions of a similar nature in future, I have to request that you will keep me informed of any details which may come to your knowledge as to the further construction of the railway, and as to the progress of the scheme in general.

I am, &c.
(Signed) EDWARD GREY.

[12336]

No. 10.

Sir Edward Grey to Sir Francis Bertie

Sir,

Foreign Office, April 6, 1906

I TOLD M. Cambon to-day that I had lately been studying the question of the Bagdad Railway, with a view to seeing what had taken place before I came into office, and what the present situation was.

It seemed to me possible that the railway would be made in the end, anyhow, and if so it would not be desirable for us, or for France, or for Russia to oppose it, but rather that we should all consider on what terms we should be prepared to participate in it. I told M. Cambon that I spoke to him first because we should not like to do anything in the matter without France, and because the difficulty in our way was the opposition of Russia. M. Sazonov had lately spoken to me in strong opposition to the Bagdad Railway, on the ground of commercial competition with the grain-growing provinces. Very probably he had political reasons also for his opposition, but he did not say so. I did not wish our Government at this moment to embark on any enterprise in those regions, or to take any action which would be regarded as unfriendly to

feel, and it had the effect of occurring to me that if the French Government felt the time had come to reopen the question they might wish to ask the Russian Government whether it would not be better for them to consider on what terms they could join, rather than continue to offer opposition which would not, in the long run, prevent the railway from being made.

I suggested that the Russians might make a line which would join the Bagdad Railway eventually at such a place as Kharakin, and through it they might share in the joint commercial outlet at Koweit, or wherever else it might be.

M. Cambon also told me that the Russians had already an arrangement by which the Sultan had promised them a refusal of any railways to be made in the northern provinces of Asia Minor which bordered on Russian territory, and by which they would have the control of any branch lines from those provinces to the Bagdad Railway. Therefore he was disposed to think that Russia need not continue to offer opposition to the making of the Bagdad Railway.

I said I had no knowledge of what view the Germans would take of the question, and M. Cambon said he had none either. But I told him that I had wished to mention the question to him now, because it might be that negotiations would be reopened, and before that happened I wished the Russian Government to be prepared to reconsider the question.

I am, &c.
(Signed) EDWARD GREY

N. O'Connor to Sir Edward Grey.—(Received April 17.)

No. 118

S

Constantinople, April 11, 1906

WITH reference to my despatch No. 148 of the 5th ultimo, I have the honour to transmit herewith copies of two despatches which I have received from His Majesty's Consul-General at Bagdad, regarding the German scientific Mission to Kela Shergat and Babylon.

His Majesty's Consul-General expresses the opinion that the excavations are not being made merely for archaeological purposes, but for the collection of information and the dissemination of German influence in connection with the construction of the Bagdad Railway.

I have, &c.
(Signed) N. B. O'CONNOR

Inclosure 1 in No. 11.

Consul-General Newmarch to Sir N. O'Connor

(No. 31.)

S

Bagdad, March 10, 1906

I HAVE the honour to reply to the Embassy despatch of the 3rd February, 1906, regarding the new German Vice-Consulate at Mosul.

2. Prior to the receipt of this letter I have already given your Excellency all the information I have on the subject, and it only remains to observe that, in my opinion, the excavations at Babylon and Kela Shergat, though mainly, are not merely excavations for archaeological research. It seems hardly necessary to have at Babylon three highly-trained surveyors, who appear to have a good deal of engineering knowledge as well. Moreover, the excavations advance so slowly that one is inclined to think there must be some reason for the leisurely progress that is being made and to wonder what is being awaited. The employees at Babylon are changed rather frequently, apparently as soon as they have mastered enough Arabic and acquired enough patience to control and direct Arab labourers. Such men will be very useful hereafter when the Bagdad Railway enters this part of the country, not only in managing, but in collecting, numbers of Arab workmen.

3. I am not so familiar with the work and procedure at Kela Shergat as with that at Babylon, but from such knowledge as I have, I think similar remarks would apply to Kela Shergat also.

4. I think both these places are meant not only to serve the ends of archaeology, but to act as centres for the collection of information and the dissemination of German influence. I cannot be certain that this is so, but your Excellency receives information from so many sources that you may be in a position to confirm or modify the opinion I have indicated.

I have, &c.
(Signed) L. S. NEWMARCH

Inclosure 2 in No. 11.

Consul-General Newmarch to Sir N. O'Connor.

(No. 31.)

Sir,

Bagdad, March 10, 1906

IN reply to your Excellency's despatch of the 3rd February, 1906, regarding the German excavations at Kela Shergat and Babylon, I have the honour to refer to my despatch No. 30 of this date, and to add the following remarks.

2. I know the German house at Babylon well. It is by no means unduly large for three persons, and visitors to Babylon are rather frequent nowadays. In my opinion, the house is well fitted for its purpose. I have not seen the house at Kela Shergat, but I am making discreet inquiries about it.

3. As regards the German steam-launch at Bagdad, I have already reported to your Excellency about it before and after its arrival here (see my despatch of the 7th March, 1905). It has only been used a very little in the river just in front of

Bagdad; it has made no long journey. It is from week to week in front of the German Consulate flying the German flag, and is illuminated on fête days. It has very little free-board and its speed hardly exceeds 4 knots. It is a poor thing, which would hardly be acceptable as a gift, and is only suited for very smooth water. It has not been wrecked, but it has twice essayed the rôle of a submarine-boat. The last time it went to the bottom of the river, it was cleaned, repaired, and put together by Herr Koldewei, the head of the excavation party at Babylon, who seems to be rather an expert mechanical engineer.

I have not heard of any larger boat coming in its place, but I think it is not improbable that an attempt will be made to replace it by a larger vessel.

4. The archaeological parties at Babylon and Kela Shergat are certainly well supplied with funds.

I have been watching their proceedings with interest ever since I have been here, but there has been nothing definite about them which I have not already brought to notice.

I have, &c.
(Signed) L. S. NEWMARCH

[13649]

No. 12.

Sir N. O'Connor to Sir Edward Grey.—(Received April 21)

No. 240. Confidential.)

Sir,

Constantinople, April 12, 1906.

DR. ZANDER, the President of the Anatolian and Bagdad Railway Companies, arrived here about a week ago, and was good enough to call on me to-day.

In the course of our conversation, which it was understood on both sides was entirely private and unofficial, Dr. Zander said that he understood that what Great Britain wanted was the construction and working of the eastern end of the railway from Bagdad south; that he had personally no objection to this arrangement, but that

his views on the subject he

very careful handling, viz., the necessity of doing nothing to excite the mistrust of the Sultan, or lead him to believe that the German Syndicate was cooing to Egypt in an important part of the concession which they had obtained for themselves. It was not unknown to me how suspicious His Majesty was of British action and influence in those regions, and how essential it consequently became not to arouse his susceptibilities or fears. He (Dr. Zander) believed himself that we could come to an understanding which would give us the full control of the construction and exploitation of the line, once we could devise a formula which, while leaving the Germans ostensibly in the enjoyment of the concession, would give England all the rights, privileges, and guarantees which she required.

The Bagdad Railway Company could wait a short time to see if it were possible to come to an understanding with England and France, but they could not stand still indefinitely, and must at no distant date go on with the construction of the line. He was thus naturally anxious to know if I could give him any indication as to the views and intentions of the present Government in regard to the general question of participation with the Germans and French.

I said that His Majesty's Government had scarcely been long enough in office to have had time to consider this question, but that no doubt it would come within their purview at no distant date, though I could not say definitely in what way or at what

open mind, and with a strong desire to come to terms with Germany if they could possibly do so on terms consistent with the commercial and other interests of the country.

The question had not, however, been touched upon for some months, and the last reference I had seen to it was in the shape of a private conversation between Mr. Gwinner and Sir Edward Law.

Dr. Zander concluded by saying that he hoped both Great Britain and France would join in the undertaking, but that if they did not come to some decision within a reasonable time, it would be impossible for Germany to hold open the door indefinitely.

I can take no exception to Dr Zander's opening remarks respecting the distrust unfortunately entertained by the Sultan of England's intentions in the neighbourhood of Bagdad and the Persian Gulf, nor do I think that he referred to the point to protect the special interests of Germany, but mentioned it simply as a factor that demands consideration.

I have already, and notably in my despatch No. 217 of the 28th April, 1903, so fully explained my views and opinions of the advantages, under conditions which would have to be carefully studied, of British participation in this great railway enterprise that I do not trouble you with any remarks on the general question which would be mainly a repetition of those which I have already made. I venture to say once more, however, that I believe the railway will probably be constructed with or without the participation of the Anglo-French groups, although obviously in the latter case in circumstances of greater difficulty. I further believe that the sand is running out, and if we decide that it is in our interest to join in the construction of the railway together with the French without whose participation I should be reluctant to do so—I hardly think we can expect a more propitious moment for opening negotiations. It is improbable that the difficulties, financial and other, attending the construction of the Taurus range, and once reach the open plain beyond it, will be willing to acceptable terms. These difficulties now loom very large, in view of the condition of Ottoman finance and the concentration in the Paris Bourse of Turkish Stock, but a perusal of the careful Memorandum prepared by Mr Mark Sykes (inclosed in my despatch No. 187 of the 20th March) will show that they may be overcome by judicious financial manipulation and by the personal influence which the German Emperor is sure to bring to bear on the Sultan.

I believe Dr Zander to be actuated by a sincere desire to see both England and France in a position of immediate difficulty and embarrassment, while at the same time it would offer sterling advantages to the Germans from various points of view. He no doubt realizes the political and material advantages of our good will from Bagdad down to Koweit, and is fully aware of the obstruction which may be felt should the terminal station be within the territory of the Sheikh Moabarak, with whom, he well knows, we have special agreements. nor does he lose sight of the material benefit to the railway should His Majesty's Government decide to send the British Indian mails by this route. He knows and recognizes the importance of our interests and influence in the region of the Persian Gulf, and prefers an amicable compromise to a struggle which might be fruitful of danger to both parties.

He also realizes the importance of the good-will of the French Government, without whose support he cannot expect to obtain a quotation of any Ottoman bonds that may be issued in payment of the construction of the railway, and he is well aware that without the co-operation of the Two Powers, his labours to obtain security from the Ottoman Government for a kilometre guarantee will be immensely increased.

The advantages to Great Britain of a concession giving her the right of constructing and working the railway from Bagdad to Koweit are distinct and palpable. It is not so clear where French interests come in under the arrangement proposed by Dr. Zander. Evidently some compensating advantages must be found for France, and the question is not one of easy solution.

In view, however, of the fact that the extension northwards of the existing French system is rapidly being pushed forward, and may even be completed by the end of the summer as far as Aleppo, where a junction with a branch of the Bagdad Railway is to be created, it is possible that the French would be willing to take over the construction of the line from that point to Diarbekir, Mosul, or Tekrit, which last-named place would be a favourable point for us to start from. This, however, is only an idea which has crossed my mind, but I noticed that it did not appear to meet with disfavour from the French Ambassador, to whom I mentioned it casually as a possible arrangement. The idea was new to him, and his remarks cannot therefore be taken as representing the views which either he himself or his Government might hold when the point came to be studied in all its bearings.

Both M. Constant and I were, however, of opinion that the moment had come when the whole question of co-operation with the Germans must be seriously examined, and in the event of a decision being taken adverse to participation, I venture to think that the German enterprise would be a purely German enterprise.

I have reason to believe that recently M. Auboyneau, one of the Directors of the Imperial Ottoman Bank, gave the German group to understand that if the Algerias

Conference came to a satisfactory issue, the bank would be ready to confer again about the Bagdad Railway. I learn, however, from M. Constant, that up to the present moment no overtures have been made from Berlin, but I venture to submit that in the event of an exchange of views taking place between the French and German groups, we should be prepared to define our attitude on the general question and to indicate in broad lines the conditions of our co-operation.

There can be no doubt that the Russian Government will regard with disfavour a combination by which Great Britain and France will participate in an enterprise which they have always viewed with suspicion, and which, were they in a position to do so, they would oppose with all their former vigour and activity. So far as I know, however, the French Government is not disposed to pay much attention to Russian susceptibilities in regard to this matter.

In this review of the situation it ought, perhaps, to be mentioned that no steps have been taken for the construction of the railway beyond Eregh. The Germans appear to shrink from facing alone the enormous cost of the next section across the Taurus range, and if they are unable to obtain assistance they may find themselves forced to seek another combination involving less expenditure by avoiding the mountains. Such a combination may be found by the construction of a line from Eregh, or more likely from some point west of Eregh, direct to Merana, whence by utilizing the existing Merana-Adana Railway, in which they have recently obtained a controlling interest, the line can be continued eastwards on the route originally planned.

I have, Sir,
Signed) N. R. O'CONOR.

13657

Sir N. O'Connor to Sir Edward Grey. (Received April 23)

(No. 207 Very Confidential.)

Sir,
Constantinople, April 18, 1903.
REBING the course of the prolonged negotiations connected with the amendments of the Mining Law, I was fully aware of the privileged position secured to the Germans by Article XXII of the Bagdad Railway Convention and of the effect which it would have on British mining enterprise in the vast regions traversed by the line. That Article states: "Le concessionnaire aura la faculté d'exploiter les mines qu'il aura découvertes dans une zone de vingt kilom. de chaque côté de l'axe de la voie, en se conformant aux lois et Réglements y relatifs, et sans que cela constitue pour lui un privilège ou un monopole." It is, indeed, probable that, if strictly interpreted, the saving clause providing against a monopoly by the Company would secure to a foreigner his rights and privileges derived from first discovery of a mine within the 40 kilom belt, but, on the other hand, there can be little doubt that in face of the special advantages possessed by the Railway Company, competition would be difficult, if not altogether fruitless, even under the conditions of the new Mining Law. It was with this situation in mind that I yesterday discussed the question, in all its bearings, with Mr Edwin Whittall, the head of the firm of Whittall and Company, with a view to discovering what steps, if any, could be taken to make good the rights of British subjects to *permis de recherches* in case of the discovery of mines which had not been applied for by the Railway Company or their associates. Mr. Whittall then revealed to me that he had been in communication with a German Syndicate of which the Deutsche Bank is a predominant member, for the working of mines within the railway's privileged zone, and that he had come to an agreement with the Germans for the formation of an Anglo-German Syndicate according to which 45 per cent. of all mining undertakings would go to the English and the remaining 55 per cent. to the Germans, while it was further provided that the agreement should affect not only the privileged area, but should be extended to mines discovered by either party in other parts of the country.

As the Anglo-German Syndicate, for the working of mines in the South African mine-owners, was already in course of formation in London, and that he had no doubt of obtaining all the financial support required for the development of such mines as they discovered. In his opinion, Asia Minor would, before very long, be the South Africa of the northern hemisphere as regards mining enterprise.

He regarded the new Mining Law, which the Embassy had succeeded in obtaining, as a great stimulant to such undertakings.

It is with extreme satisfaction that I report this arrangement, as it will, in all

probability, open a fruitful field for the profitable employment of British capital will, moreover, remove a competition which, while injurious to the financial interest both parties, could hardly fail, in the course of time, to produce serious friction, especially when mining developments extended to the southern districts of Anatolia and to the rich oil-fields near Kerbela.

Mr. Whitall requested me to regard the information he had given me as confidential, as the negotiations are not yet completed, and it is not desirable that the Ottoman Government should be aware of them.

I have, &c.
(Signed) N. R. O'CONNOR

(13859)

No. 14

N. O'Connor to Sir Edward Grey.—(Received April 23)

(No. 259.)

Sir,

Pera, April 17, 1906

I AM informed that Dr Zander, the President of the Anatolian and Bagdad Railway Companies, has just succeeded in obtaining a promise from the Sultan of a concession for a scheme of irrigation in the plain of Konia by water obtained by draining the marshy area, extending to some 80,000 dounas (15,000 acres), in the neighbourhood of Lake Karavila (Beyshukur), a project which the Germans have had in view for some time past. The consideration for which the concession is to be granted is understood to be an advance of 23,000,000 fr. to the Civil List, while, on the other hand, the Anatolian Railway Company is to receive 50 per cent. of the profits of the undertaking. Detailed information of the scheme is at present lacking, but as the negotiations have now reached a point where success appears to be certain and secrecy no longer necessary, I hope to be shortly in a position to report further on the matter.

The Germans, as a rule, manage to work their designs very quietly and secretly, and, as an instance, I may mention a project now being talked of for a railway from Konia to Erzeroum. As early as December last I received information from Dr Jewett, at Sivas, that a party of engineers under M. Daudix, of the Anatolian Railway Company, had recently arrived and was engaged in surveying a route to Erzeroum, via Sivas and Erzurjan. I requested His Majesty's Consul at Erzeroum to inquire as to the proceedings of the party, but Mr. Shipley was no more able than Dr Jewett to obtain any admission from the local authorities as to the object of the survey.

A copy of Mr. Shipley's despatch, which shows the route followed by M. Daudix, is inclosed herewith.

Another railway project which has come to the fore again quite recently is for a line from Samsoon to Angora, or possibly even to Konia, but I am unable to say if any definite negotiations for a concession have been set on foot.

I am,
(Signed) N. R. O'CONNOR

Inclosure 1 in No. 14

Consul Shipley to Sir N. O'Connor

Erzeroum, March 7, 1906

WITH reference to your Excellency's despatch of the 16th January last, requesting information respecting the work and proceedings of a party

M. Daudix, the engineer of the Anatolian Railway Company, his secretary, M. Dugu with five Turkish officers who have been engaged in the work of surveying from Erzeroum via Erzurjan to Sivas, I have the honour to transmit to your Excellency the following particulars which I have obtained from correspondents at Erzeroum and other places on the route.

It should be stated that from Erzeroum to Erzurjan there are two roads for ordinary traffic, viz., the first from Yem Han, Ashkale Bulwark, and Kolduk Teleslik, the second, which is shorter, branching off at Yem Han (about four hours from Erzeroum), and, after passing through the village of Mania Khatoun, crosses the Euphrates at Kotur Keupri, whence after skirting the Sipik or Djebidje range, it proceeds through the plain of Balaban to Erzurjan. M. Daudix and his party,

however, according to my informant, adopted neither the Harbour nor the Mania Khatoun route, but, after proceeding from Erzeroum to Ashkale by the ordinary road, kept, on leaving the latter place, to the banks of the Euphrates and the way to Erzurjan, passing through the above-mentioned Kotur Keupri, the villages of Karghin, Vidjan, Hah! Agha Han, and the Balaban plain. From Erzurjan onwards to Kemakh (a distance of some twelve hours), a survey was made of the road on both sides of the Euphrates, including an examination of places suitable for the construction of five bridges. About one hour before reaching Kemakh there is the junction of a stream called Keumur Tebai with the Euphrates, and from this spot, if the information supplied to me be exact, the engineers made two surveys of a line to Sivas, one in a northerly direction by Gerdjanis, Sou Shelar, and Enderis, near Shebbati Kara Hisar in the Sivas Vilayet, the second, westwards through Zimam to Divrighi.

The above details are, I fear, of a somewhat scanty nature, and I am forwarding my report to your Excellency is due to the fact that, such as they are, I have been entirely dependent for them on correspondents in outlying districts, no information being procurable at Erzeroum. Nazim Pasha, the Governor-General, in reply to a question which I put to him on the matter, stated that no report from M. Daudix had reached him as to the results of the latter's proceedings, his own instructions having merely been to furnish all the needful facilities.

As regards the question of the eventual possibility of the line being constructed or, if made, of its giving a reasonable return on the outlay expended, I have not sufficient material at my disposal to form an opinion. In view, however, of the great distances which such a line would have to traverse, it is considered by some that the additional facilities thereby afforded for the export of Erzeroum grain would, to a great extent, be neutralized by the heavy freight which would necessarily have to be paid. On the other hand, the advantages from a military point of view of connecting Erzeroum with the already existing Anatolian Railway system are obvious, and it is felt that if the line is constructed at all it will be from considerations of the above nature. A less ambitious project which, I understand from Nazim Pasha, has already been sanctioned, is the construction of a carriageable road from Erzeroum through Izmir to Rizeh and the Black Sea. This would not have the military advantages alluded to above, but as its length, compared with the road already existing from Erzeroum to Trebizond, would be about one-half, the increased facilities which would thereby be afforded to the trade of Erzeroum with the exterior and to the transit trade with Persia are obvious.

I inclose, herewith, the itinerary followed by M. Daudix and party from Erzeroum to Erzurjan.

I have, &c.
(Signed) H. S. SHIPLEY

Inclosure 2 in No. 14

Itinerary of M. Daudix and party from Erzeroum to Erzurjan

	Miles
Erzeroum to Izmir	100
Izmir to Rizeh	100
Rizeh to Trebizond	100
Trebizond to Erzeroum	100
Kotur Keupri to Karghin	20
Karghin to Vidjan	10
Vidjan to Hah! Agha Han	10
Hah! Agha Han to Balaban	10
Balaban to Erzurjan	10

NOTE.—Above distances represent journeying by caravan.

(14563)

No. 15.

Sir N. O'Connor to Sir Edward Grey.—(Received April 30.)

(No. 276. Confidential.)

Sir,

Constantinople, April 24, 1906.

WITH reference to the paragraph in my despatch No. 243, confidential, of the 12th instant, in which I mentioned that the German group representing the

I may add that during his recent visit to Constantinople Dr Zander requested Mr. Edwin Pears, the Chairman of the Company, and Sir William Whitall, to remain on the Board, and both these gentlemen have accepted the invitation. I understand that Dr Zander thought it desirable to secure the legal knowledge of the former, who is the leader of the British Bar at Constantinople, to explain the legal technicalities with which the statutes of the English Company abound, while the experience and knowledge of the latter, as senior partner in an old-established exporting firm in Asia Minor, made him a desirable member of the Board, and possibly would predispose both these gentlemen to regard with favour any scheme making for the co-operation of British capitalists in the Bagdad Railway.

Enclosure in No. 15.

Мельников

(Cont. front.)

EARLY in December 1903 Baron de Vaulcroix, the Vice-Chairman of the Mersina Adana Railway Company, left Constantinople for Berlin, where, after several visits with Dr Zauler and Herr Gwinner, acting on behalf of the Anatolian Railway Company and Deutsche Bank respectively, he came to an arrangement by which he undertook to place those Companies jointly in possession of a sufficient number of ordinary and preference shares of the Mersina Railway to command a majority of votes at general meetings of the Company.

The total vote-carrying share capital of the Mercantile Company at that time was 401,000 nominal, i.e., 8,250 ordinary shares of 20s. each, and 118,300 preference shares of 2s. each.

Five ordinary or ten preference shares confer a vote on the holder so that the total capital represents 2,807 votes, i.e., 1,050 and 1,157 belonging to holders of ordinary and preference shares respectively. A bare majority of votes being thus 1,054, and the German group being already able to command 500, shares representing 800 votes were required, and under the agreement Harrold de Vendeuvre had to hand over the separate number of shares before the 10th January, for which he was to receive £14,820⁷. He was further commissioned to purchase any number of preference shares at a maximum price of 15¹ lbs. for one month after the above operation should have been completed.

There is every reason to believe that the agreement thus concluded was the result of negotiations that had been on foot for some time. At all events, within a few days of his return to Constantinople early in January, M. de Vondreville was able to deliver the shares, and the transaction was forthwith completed. I could not ascertain the exact proportion of ordinary and preference shares acquired by the German group, but it is practically certain that the majority are preference shares, which as an investment are more profitable than the ordinary, and for the same capital outlay give a greater voting power. A large proportion of the shares required were obtained by M. de Vondreville from another member of the Board, also a Frenchman, named Cassan.

Throughout the transaction, by which he is reported to have cleared as much as 30,000*l.*, M. de Vougevre kept his colleagues on the Board in ignorance of what was going on, and they only learnt of it on his return to Constantinople, when the transfer of the shares was on the point of being made.

The Germans (Group) now control about 1,440 to 1,450 votes out of a total of 2,807.
(Initialled) C. M. M.

Post, April 23, 1903

(Installed) C. M. M.

158877

No. 16.

Question asked in the House of Commons, May 8, 1908.

Mr. RICE.—To ask the Secretary of State for Foreign Affairs whether, since one reason for the delay in the construction of the Bagdad Railway in 1903 to co-operate the ally in the construction of the Bagdad Railway was the refusal of the Turkish Government to increase the customs duties from 8 per cent to 11 per cent, whether the Turkish Government has consented to this increase of the Turkish duties; whether this increase is to be used as a kilometric guarantee, in whole or in part, towards the construction of the Bagdad Railway as already constructed or projected; whether His Majesty's Government are prepared to co-operate with the Turkish Government in the construction of the Bagdad Railway or to provide a terminus upon the Persian Gulf, and, if so, whether the results may, if no sufficient objection exists, be communicated to the House.

Answer

His Majesty's Government have not as yet consented to the proposed increase in the Turkish customs duties. As to the conditions on which they are prepared to do so, I would refer the honourable Member to the reply which I am giving to a question from the honourable Member for the Ripon Division of Yorkshire on this subject. I think that the subject has not recently been brought before His Majesty's Government officially from any quarter.

181401

No. 17

Mr. Spring-Rice to Sir Edward Grey.—(Received May 11.)

No. 581

(Telegraphic) P

MACLAD Railway

I hear with reference to Mr Grant Duff's telegram of the 9th instant that Herr von Haeften is about to be sent to Constantinople to take charge of affairs of Bagdad Railway, whence he will go to Persia.

I am told the German Government will probably not apply to foreign Governments for aid, being confident that they will be able to complete the railway themselves.

[16252]

No. 18.

Sir Edward Grey to Mr. Spring-Rice.

(No. 28)

(Telegraphic) P.

BAGDAD Railway.

soon; that we shall not participate without France, and do not wish to do so without Russia.

In these circumstances we should consider favourably any proposal as to conditions or methods of possible Russian co-operation.

A detailed account of this conversation will reach you by messenger.

[16301]

No. 19.

Sir Edward Grey to Mr. Spring-Rice.

(No. 213.)

Sir,

Foreign Office, May 11, 1906.

I REMINDED Count Benckendorff, in conversation to-day, that, since receiving the friendly message from Count Lamdorff some weeks ago, indicating that proposals might be made by us for a definite agreement on matters of mutual interest, I had postponed the idea of our making any such proposals, owing to the change in progress in the Russian Government, and the latter's natural preoccupation with internal affairs. But within the last day or two a report had reached me that Persia was negotiating with Germany for a loan. I had originally told Count Benckendorff that, as regards Persia and other subjects of that kind, we would for the present do our utmost to preserve the *status quo* in order to keep the door open for a subsequent arrangement. It would make a future arrangement more and more difficult, and I had therefore thought it right to tell Count Benckendorff of the report which I had heard.

I said it was for the Russian Government to consider what steps they thought it in their interest to take. I held that it was wasting money to lend it to the present Persian Government. But I did think it very desirable to preserve the *status quo*. Possibly a joint loan by Russia and Great Britain might be worth considering as a

whole question, though I thought Russia, by conditions she had already made with Persia, might have grounds on which to object by herself to the Persian Government's contracting a loan.

Count Benckendorff asked me whether the information with regard to a German loan came from a source which made me believe it, and how it was being arranged.

I said the report had reached me in the barest possible form. A million was named as the amount of the loan. But I was not sure even as to the amount, nor did I know through what channels it was being arranged, nor was I certain of the conditions which might be attached to it. I did, however, think that the report which had reached me might not be without foundation, but the Russian Government no doubt had means as good as ours for making their own inquiries.

There was another matter which it was necessary for me to mention.

The Bagdad Railway had not recently been brought before us officially in any way but I gathered that it was likely to be revived. Questions were being asked me in the House of Commons, and from other indications I expected that we might soon have to

to participate in it unless France also did so, and we did not wish to go into it unless Russia as well would take part. The Bagdad Railway, if completed, would form an important commercial outlet. I knew very well the interest which such an outlet had for the Russian Government, and I realized that if this outlet was to be on the Persian Gulf it was something in which they would naturally feel they ought to have some share. It was for them to consider, therefore, whether it would

be made nevertheless, that they should make up their minds as to the conditions and methods by which Russian interest might be brought into the scheme.

All I had to say was that we would consider very favourably any suggestions of this kind which the Russian Government might have to make.

I told Count Benckendorff I did not wish this to be regarded as an official communication, because at present we were not being asked for any decision; but I foresaw that we might have to come to a decision before very long, and, as this too would be an alteration in the *status quo* in a part of the world in which we were both interested, I was anxious to take no step on our part without letting the Russian Government know, and it was very desirable that they should come to a decision as to what their own interest and policy in the matter should be.

Count Benckendorff told me that M. Cambon had already had conversations with him and M. Noldehoff on this subject.

I said I had spoken to M. Cambon some time ago, but my reason for mentioning it now was that the questions which were being asked me in Parliament made me think that the time when we might have to come to a decision was nearer than I had thought, and it was desirable that the Russian Government should also be prepared.

I am, &c.

(Signed) EDWARD GREY.

[16322]

No. 20.

Mr. Spring-Rice to Sir Edward Grey.—(Received May 12.)

(No. 93.)

(Telegraphic.) P.

St. Petersburg, May 12, 1906.

WITH reference to your telegram No. 85 of yesterday, I learn that the French Ambassador has been instructed to speak to the Russian Minister of Foreign Affairs respecting the Bagdad Railway.

With regard to the messages arriving from Berlin relative to the readiness of Germany to undertake this enterprise without the assistance from foreign capital, M. Bompard thinks they are being disseminated by the German Government in order to obtain better terms. The Director of the First Department of the Ministry of Foreign Affairs here shares this view.

17320]

No. 21.

Sir N. O'Connor to Sir Edward Grey.—(Received May 21.)

(No. 330. Very Confidential.)

Constantinople, May 14, 1906.

THE following observations on the prospects of the Bagdad Railway, recently made to a friend by M. Testa, who, as German Delegate on the Ottoman Public Debt and ex-First Dragoman of the German Embassy, is well acquainted with the question in all its financial and political aspects, are of considerable interest.

The German Engineers have carefully studied the problem of an alternative route for the railway, so as to avoid the immense and costly work of the "trans" laid down in the Concession, and have arrived at the conclusion that the proposed route, with some modifications, is the most feasible. The idea of crossing the range further west and linking the line with the existing Merzina-Adana railway has been abandoned.

because the line, as originally sanctioned by the Sultan, was laid down so as to be safe from attack from the sea, and His Imperial Majesty would never assent to a deviation which would bring the railway to the south side of the Taurus for so long a distance.

The contemplated project for commencing work on the sections east of Adana and leaving the Taurus section untouched for the present has also been renounced. Although there is no express stipulation in the Concession that the line is to be built continuously eastward, it was clearly understood at the time of the signature of the Convention that this condition would be observed, and the Germans admit that they do not believe

to consent to depart from it.

The Germans have not made any step yet towards raising the construction loans

I have, &c.
(Signed) N. R. O'CONNOR

[18156]

No. 22.

Mr. Spring-Rice to Sir Edward Grey.—Received May 25.)

(No. 329.)

Sir,

St Petersburg, May 24, 1906.

I HAVE the honour to state that M. Isvolsky told me yesterday that the news as regarded the Shah's health was better. There therefore appeared to be no present reason to take serious steps. He said that he had no doubt Mr. Grant Duff had already received instructions to act jointly with his Russian colleague in support of the Vali Abd's succession to the throne. He had himself sent corresponding instructions to the Russian Charge d'Affaires at Tehran. I observed that it might be advisable that the two Legations should have a certain sum at their disposal in order to conciliate the

the Shah. On the occasion of the present Shah's accession the question of a largesse to the troops had proved a serious one, and it was as well that the two Governments should be prepared to take steps if necessary. He agreed in principle, and said that M. Hartwig

tions in regard to the matter? I mentioned the conversation which you had with the Russian Ambassador on the 11th instant, in which you had spoken as to the possibility of a joint loan. He said that he had received a report of this conversation, and that he

the information at his disposal was not sufficiently definite to warrant a decision. He had the whole subject under his consideration, and would inform you later when he had been able to master the subject.

at the German Ambassador had called upon him to

fact—

It was the subject of a Concession granted by the Sultan to the Deutsche Bank, and was therefore specifically a German interest, as to which Germany had every right to be consulted. M. Isvolsky had, he said, immediately telegraphed the substance of this conversation to London in order that it might be *en toute franchise* communicated to you. He regarded the communication as unsatisfactory, as it showed that Germany had, as a matter of fact, no objection to an *entente* between England and Russia. With regard to the Bagdad Railway, he considered that the contention of Germany was just, and that German claims ought to be considered. I said that you had never left any room for doubt in all your communications on the subject, or in the communications made through Sir Charles Hardinge, that in seeking Majesty's Government was aiming at an agreement

designed to be directed against the interests of any third Power. With regard

in connexion with France, in the enterprise inaugurated by Germany. We had hitherto refused the German offer to participate mainly because we were not willing, as long as Russia was opposed to the project, to enter into a combination which Russia might regard as an unfriendly act. Should Russia withdraw her objections, we should, in common with France, be more willing to give a favourable answer to the proposals for financial participation, if in other respects they appeared not

indeed, as the Concession was a German one, was impossible.

M. Isvolsky said that at first sight he thought that the views expressed by

unable to give a definite answer until the competent authorities had been consulted.

I subsequently spoke to the French Ambassador on the subject. His Excellency said that he had not mentioned the matter of the Anglo-Russian negotiations to M. I

M. Isvolsky, Count Witte, and the Director of the Russian Bank. He had given a favourable answer in principle, but had reserved a definite reply until he had consulted the competent authorities. Count Witte had informed him that on reconsideration he had changed his mind with regard to the matter, and was now

prepared to recommend Russia to withdraw her opposition. The same answer had been received from the military authorities, who no longer appeared to consider that the construction of the line was injurious to Russia's military interests. M. Bonapard said that the Director of the Deutsche Bank at Constantinople had approached Sir Nicholas O'Connor with regard to the participation of English capital, and that he had subsequently proceeded to Paris, where he had made a similar proposal with regard to French participation to the Directors of the Ottoman Bank. It was noticeable, however, that the offers had been solely made with regard to financial participation, and the inducements put forward were solely those incident on the issue of a loan in Paris. Nothing had been said either of the industrial advantages incident on construction, or on political or commercial control, or participation in control.

With regard to the general question M. Bonapard made the following remarks: The denial of the intention to offer a loan to Persia, if made by Germany, would correspond exactly to Count Tattenbach's similar denial of the intention to make an advance to Morocco, a denial which did not as a matter of fact, prevent Germany making an arrangement which was hardly distinguishable from a loan. The steps taken by the Director of the Deutsche Bank pointed to the desire of Germany to obtain

co-operation to one of a purely financial nature. The Government, however, could not and would not participate without giving due consideration to the general, commercial, and political aspects of the question.

With regard to the question of the observations made by Herr von Schöen as to a *rapprochement* between England and Russia, similar friendly observations had been made as to the *rapprochement* made between Italy and France, between Austria and Russia, and between France and England. But it was not to be denied that in all these cases Germany had been entering in her efforts to destroy the force of all these agreements, while protesting publicly that she regarded them with favour

sentiments of Germany, the two Governments should not lose sight of the fact that the

to the furtherance of harmony. The two Governments should act for themselves according to their own interests. They should, of course, make it plain that their efforts to come to a mutual agreement did not and could not entail any consequences injurious to any Power which sincerely desired peace. But they should act not through intermediaries, but directly, unless they were anxious to pay somewhat heavy brokerage.

He pointed out further that, as regards the Bagdad Railway, it was not advisable that the three Powers (France, England, and Russia) should act separately, by separate and independent negotiations, with Germany. They should act as a unit, and if they did so the terms obtained would be better. For this purpose it was most necessary

should come to a common understanding as soon as possible. This he said, any hostile feeling towards Germany, but from the purely business point of

view

He added that, although, as he had told me, he had not thought it advisable as yet to speak on the subject of Anglo-Russian relations, which he had abstained from doing, because he was not yet sufficiently clear as to the policy which would be pursued by the new Government, and because in principle he thought it was better that Russia and England should fight out their battle by themselves, on the ground of their own private

assured that they might count on the friendly and willing co-operation of their French

by the offices of a mutual friend. I said I was sure that in the future, as in the past, his friendly offices would be appealed to if the occasion arose.

I have, &c.

(Signed) CECIL SPRING-RICE.

[18738]

No. 23.

Sir Edward Grey to Sir F. Bertie.

(No. 287.)

Sir,

Foreign Office, May 20, 1906.

M. CAMBON told me to-day that the understanding between the French and German groups of financiers interested in the Bagdad Railway still remained, and if

[1837]

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England, France, and Russia were to come to an agreement as to the terms on which they were willing to participate in the Railway, it would be easy for the French financial group to reopen the question with the Germans on the terms to which these three Powers might have agreed. He thought this would be the most convenient way of reopening the question.

He said that there would be difficulty in making any arrangement by which the southern section should be entirely controlled by England. The placing of one section under the control of a particular Power might give rise to difficult questions respecting the control of other sections, and would not be altogether in accordance with the general character of an international undertaking. In addition to this, he was sure that the Sultan would never agree to a concession of this section being given to England alone.

I said that statements had appeared in the press to the effect that we should stipulate for this or that condition as essential to our co-operation, but that these statements had not come from the Foreign Office. As a matter of fact, that to which was secured by the co-operation of France, Russia, and Germany, as well as ourselves, I did not think difficulties would be raised by us with regard to the control of a particular section.

M. Cambon and the Russian Government were very much preoccupied with the question of the Bagdad Railway, and were not in a position to discuss any conversation with the whole question.

I am, &c.
(Signed) EDWARD GREY.

[18971]

No. 24

Sir F. Bertie to Sir Edward Grey.—(Received June 2.)

(No. 229. Confidential.)

Sir,

Paris, May 31, 1906

M. HENRY, Commercial Director at the Ministry for Foreign Affairs, came to see me this afternoon to tell me, on behalf of M. Bourgeois, that his Excellency had thought it right to speak to the German Ambassador on the subject of the inquiries made of the Russian Government by the German Ambassador at St. Petersburg in regard to the attitude of Russia in the question of the Bagdad Railway.

M. Bourgeois had assured Prince Radolin that there was no intention or wish on the part of the French Government to come to an arrangement either with Russia or with England, irrespective of Germany, the holder of the Concession from the Sultan of Turkey. The French Government recognized the special position of the concessionnaire. Prince Radolin had not volunteered any expression of opinion on the question in reply to M. Bourgeois' assurance.

The Minister for Foreign Affairs had also, M. Henry informed me, had some conversation with the Russian Ambassador on the subject of the railway, from which he gathered that the Russian Government had objections not shared by their Ambassador—to its construction. M. Bourgeois did not think that these objections had much force, and from some observations made by M. Henry I conclude that, whereas the Russian Government desire to put difficulties in the way of the construction of

Russian Ambassador is in favour of the projected Bagdad Railway, provided that it be connected with the Russian system.

The eventual object of the Russian Government and the Ambassador is the same, though the means of obtaining the end are different.

[19357]

No. 25.

Sir Edward Grey to Sir F. Bertie.

N. 25.

Foreign Office, June 8, 1906

THE French Ambassador called on the 1st instant, and, under instructions from his Government, stated that the French Minister for Foreign Affairs had told Prince Radolin, on the 30th ultimo, that he had heard from St. Petersburg of the démarche made by the German Ambassador respecting the Bagdad Railway (see Mr. Spring-Rice's despatch No. 329 of the 24th ultimo). M. Bourgeois had added that he wished to assure him that, since the Concession was a German one, he had no intention of taking any step in the matter, but that it was for the Germans to take the initiative, and that the French Government or bankers would then be ready to discuss the question with them.

I am, &c.
(Signed) EDWARD GREY

[21055]

No. 26.

Question asked in the House of Commons, June 13, 1906.

Mr. Lynch.—To ask the Secretary of State for Foreign Affairs whether he is aware that it is proposed to apply the funds at present absorbed by the deficits in the Macedonian Budget, and which will be set free by the proposed increase in the customs duties, of which the greater part are levied on British trade, towards finding the kilometre guarantee for the Bagdad Railway; whether His Majesty's Government adhere to the declaration made by Lord Lansdowne that it shall be a condition of their consent to an increase in these duties that the expenditure of the money so obtained shall be controlled by a competent body controlling also the finances of Macedonia; and whether he will take steps to secure, firstly, the regulation of Turkish military expenditure in Macedonia, and secondly, the application of the principle that funds derived from an increase in the customs shall be devoted, after satisfaction of the needs of the Macedonian Budget, to the promotion of foreign trade with Turkey in general, and not to the setting free of revenues for any particular enterprise.

Answer

In reply to the first part of this question, His Majesty's Government have no control over Turkish revenues, the allocation of which has not formed the subject of any Agreement between the two Governments.

2. The increased revenue—less the 25 per cent. due to the bondholders—will, under the arrangement now under the consideration of the Porte, be devoted to meeting the deficit in the Macedonian Budget, which is already under the supervision of the Financial Commission. The establishment of this Financial Commission was accepted by Lord Lansdowne as the best control that it was practicable to obtain.

3. We have not stipulated for the regulation of Turkish military expenditure in Macedonia, but the Turkish Government have undertaken to make good from Imperial funds all deficits in the Macedonian Budget, whether due to military or civil expenditure.

4. As at present estimated the increased duty will be more than absorbed by Macedonia, and there will be no funds from this source for any other purpose; but, as was stated, His Majesty's Government have made some conditions which will be to the advantage of foreign trade.

[21180]

No. 27

Question asked in the House of Commons, June 13, 1906.

Mr. Rees.—To ask the Secretary of State for Foreign Affairs whether he has received any official information that the German Embassy in Constantinople has made overtures to the Porte for the purchase or lease of an island or station in the Persian Gulf; whether he has been officially informed of any negotiations between the German Government and that of Persia for a similar purpose; and whether he is officially aware of any application by Germany for a concession for a railway from Bagdad to Khanakin, on the Persian frontier.

Answer

I have no official information which I can give to the honourable Member on the subject.

[20100]

No. 28.

Sir A. Nicolson to Sir Edward Grey.—(Received June 13.)

(No. 115.)

(Telegraphic) P.

St. Petersburg, June 13, 1906.

M. ISVOISKY informed me to-day, in reply to a question which I put to him, that he was personally in favour of Russian participation in the Bagdad Railway, but he had first to obtain the support of the Ministers of Finance and War, and he would funds could without difficulty be provided by the banks, but he said that he doubted whether the Russian houses were in a position to do so at the present moment, and added that he was convinced that it would be most undesirable were the railway to become a purely German enterprise.

In conversation with the French Ambassador on this subject, M. Bompart informed me that the Chief of the General Staff had no objection to participation on the part of Russia, and he appeared to consider the support of this officer as of more importance than that of the Minister of War. He also said that a French financier, who is in St. Petersburg for a few days, had been soundly by the Minister for Foreign Affairs as to the possibility of making some combination with the Russian banks.

21029

No. 29

*Sir Edward Grey to Sir P. Lascelles.**Foreign Office, June 14, 1906*

THE correspondent of the "Times" at Constantinople (Mr. Braham) told me that, on his way through Berlin he had had an interview with Dr. Zander.

Dr. Zander had told him that the Germans saw their way to construct the next two sections of the Bagdad Railway, but beyond that they were not prepared to go alone. For them to construct a railway to the Persian Gulf, which might meet with the

oppose, for English co-operation, and recognised that, in order to have it, England must control the southern section of the line.

I observed that we did not appear to have so great an interest in seeing the line made as to encourage us to incur the hostility of Russia either, and that if this was the German view it was obvious that the participation of Russia ought to be desired. I further observed that the southern section of the line would, as at present arranged, go through a very unprofitable part of the country.

Mr. Braham said that Dr. Zander was quite aware of this, and admitted that the route to be taken by the line would have to be altered.

I am, Sir,
(Signed) EDWARD GREY.

20508]

No. 30.

Extract from the "Times" of June 15, 1906.

MACEDONIA AND THE BAGDAD RAILWAY.

To the Editor of the "Times."

Sir,

House of Commons, June 14, 1906.

I HOPE I may be mistaken as to a single point in connection with the reply given by the Secretary of State for Foreign Affairs yesterday to a question which I put to him on this subject, and I have placed a further question on the paper, which will, I trust, clear it up. But the matter which I brought to his notice is so urgent that I feel it my duty to trespass upon your space in the endeavour to obtain at least a second hearing of an issue which would seem to be of far-reaching national importance.

It is proposed that this country should consent to an increase of 3 per cent. in the customs duties, fixed by Treaty at 8 per cent., which are levied on imports into Turkey. It has been estimated that at least 50 per cent. of the Turkish customs are levied on British trade. It has also been calculated by the Foreign Office that the suggested increase of 3 per cent. would bring in an additional revenue to Turkey of about 750,000*l.* a-year. Of this sum, 25 per cent. must, under the Decree of 1903, be applied to the reduction of debt, but the remaining 75 per cent., or 560,000*l.* a-year, would flow direct into the Turkish Treasury. The proposal is that this 560,000*l.* a-year shall be earmarked to supply the deficit in the Budget of Macedonia, which amounted in 1904 to about 720,000*l.* Economies have, however, been effected since 1904, so that the Macedonian deficit ought now to stand at about the same figure as the proposed additional revenue from the customs of Turkey—viz., 560,000*l.* The one will about balance the other.

Let us proceed a little further. The Macedonian deficit has hitherto been made up by Turkey out of her Imperial funds. It seems to follow, therefore, that these funds, to the extent of about 600,000*l.* a-year, would be set free for any purpose to which Turkey may desire to apply them in the event of the proposal being sanctioned for an increase in the customs duties. It is credibly reported from Constantinople that these funds thus to be set free are to be applied to funding the guarantee for the Bagdad Railway. At the same time, by a significant coincidence, the question of the Bagdad Railway is being actively discussed in the German press. Now your readers are aware that the present condition of that enterprise is briefly this:—

A certain portion of the railway has already been built in Asia Minor as a branch of the existing Anatolian Railway, and still at a great distance from the regions which it is ultimately intended to exploit. The task now before the Germans is the comparatively difficult one of taking the line across the Taurus into the Mesopotamian plain. The money for building this existing line was derived from the proceeds of a loan issued by the Turkish Government at 4 per cent. interest and taken up at about 86. I think I am right as to these particulars. If, therefore, the Turks employ the whole of the money to be set free by the increased customs to the Bagdad Railway, they would presumably be able to borrow to the extent of about 12,000,000*l.* Now, it has been estimated that the section of the railway already completed has cost about 5,000*l.* a-mile, including rolling-stock. If we even allow double this sum—namely, 10,000*l.* a-mile—for the 375 miles which it is now proposed to commence, and which, when completed, will have taken the enterprise across the Taurus and a long way on its ulterior journey towards the Persian Gulf, we get a sum of 3,750,000*l.*, which is only half the sum mentioned above as the capitalised value of the revenues set free by the new customs duties if applied to finance the Bagdad Railway.

The nature of this vast enterprise, destined to place under German control, not only a great railway from the Bosphorus to the Persian Gulf, but also the railway system of Syria, which is being extended along the Egyptian frontier to Mecca and

deny that it is of the utmost importance that this country should have a voice in the future development of this enterprise. Hitherto we have held several very strong

[1637]

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Yours respectfully,
(Signed) H. P. B. LYNCH

21

The Germans are anxious, I am informed, to make proposals about the railway, and submit us to a demanding, as a condition of our joining, exclusive control of the horn end. Turkey would oppose this, and it might create difficulties with Russia. The Germans, I am further informed, are not prepared to carry the line themselves as far as Bagdad. When the subject is mentioned by the Russians you should maintain the view that it is desirable that they should co-operate in a joint undertaking that His Majesty's Government do not wish to participate except on terms satisfactory to Russia as well as to them, but that we are not opposed to the railway. It is, of course, also essential that France should participate. But it is unnecessary at present to press the Russians further.

No. 22

construction of the Bagdad Railway, though I should not like to see a railway made in the Persian Gulf in which we did not participate. I was, therefore, not at all prepared to create friction with Russia by making special conditions in connection with the Bagdad Railway which might abrogate Russian co-operation. More than one hint had

I am, &c
(Signed) EDWARD GREY

No. 33

I have, &c
(Signed) A. NICOLSON

1

I HAVE the honour to report that a communication from Reuter's Agency, issued at Constantinople on the 30th ultimo, and published in the "Times" of the 1st June under the heading of "Germany and Persia," has called forth an inspired

Minister for Finance and explain the matter fully to him in order to remove the scruples and hesitations of that gentleman. This offer M. Isvolsky cordially accepted.

M. Bompard told M. Isvolsky that he feared his Excellency had acted a little hastily in soliciting the assistance of M. Noetzel, a French financier who had been here for a day or two, and who had been one of the French agents for the conclusion of the recent Russian loan. M. Bompard explained to M. Isvolsky that the financial group who were interesting themselves in the Bagdad Railway were the Ottoman Bank group, while M. Noetzel represented the Banque de Paris et des Pays-Bas, who had nothing to do with the scheme, and who were not on the best of terms with the Ottoman Bank. Confusion might be caused, therefore, by the Russian Government asking for the intervention and assistance of M. Noetzel. M. Bompard told me that he had seen the latter gentleman, and had requested him not to regard the suggestion of M. Isvolsky as a formal offer, and he had recommended him to take no action upon it.

M. Bompard informed me that M. Isvolsky had stated to him that he felt confident of obtaining the consent of the Minister of War to the participation of Russia, but M. Bompard considers that, as the Chief of the General Staff has expressed his concurrence, the opinion of the Minister of War is not of special importance.

I have, &c.
(Signed) A. NICOLSON

[21441]

No. 30.

Sir A. Nicolson to Sir Edward Grey.—(Received June 25.)

(No. 377.)

Sir,

St. Petersburg, June 10, 1906.

THE French Ambassador told me yesterday that he had called upon the Minister of Finance in order to explain to him the desirability of Russia participating in the Bagdad Railway project, and also with a view of endeavouring to overcome the objections which he understood that His Excellency had to Russia facilitating in any way the realization of a scheme which he considered detrimental to Russian

M. Bompard found that M. Kokortsoff was not to be easily persuaded, as he maintained that any line which facilitated communications with Persia would seriously compete with Russian trade in that country. M. Bompard pointed out that the German Syndicate would doubtless eventually complete the line even without foreign assistance, and that it would be advisable to participate under certain conditions before it was too late. M. Bompard instanced to His Excellency the attitude of Great Britain towards the Suez Canal construction, and her having subsequently found it necessary to acquire a share in that undertaking. These arguments did not shake M. Kokortsoff's objections; and then M. Bompard mentioned to His Excellency an alternative, that perhaps Russia might feel disposed to construct a line herself from the Gulf to the Gulf. M. Kokortsoff observed that such a line would be, perhaps, more injurious to Russia's commercial interests than any other, as it would enable British goods from the Gulf to out Russian trade from Northern Persia.

I do not quite understand what prompted M. Bompard to suggest the above alternative to the Minister of Finance. I have never discussed such a project with him, or intimated that it could form a subject for negotiation, but as it was discarded at once by M. Kokortsoff, I did not feel it necessary to make any observations.

M. Bompard added that the Minister of Finance had also mentioned the difficulties which the Russian Government would experience in finding the necessary funds, and he had endeavoured to make it clear to M. Kokortsoff that these difficulties were by no means serious or insuperable. M. Bompard said that he had received a letter from Paris acquainting him with the arrival in that capital of Mr. Gwinner, who intended to discuss the affairs of the Bagdad Railway with the Ottoman Bank. He would, therefore, press M. Isvolsky to come to a decision, as M. Kokortsoff had stated that his objections to the project were simply those of a Minister of Finance having in view the commercial and financial interests of his country, which might have to yield to considerations of a general international policy.

My French colleague, I would beg leave to observe, under no pressure from me, evidently intends to push the matter as actively as he can, and I was in some doubt whether I should communicate to him the substance of your telegram No. 103 of the

15th instant and give him to understand that, owing to information which had reached His Majesty's Government, it was not considered necessary that I should urge the Russian Government to come to a decision. On reflection, I thought it prudent to say nothing on this point until I had communicated with you, as the visit of Mr. Gwinner to Paris may be an indication that the German Syndicate are proposing to obtain foreign assistance towards completing the line to its terminus. I also thought that if I were at this junction to announce that I was instructed to hold my hand I might cause some confusion, and possibly misunderstandings.

I would, with your sanction, therefore propose to act with M. Bompard, continuing to suggest to the Russian Government to participate in the project on such conditions as may be considered desirable by the three Governments.

I have, &c.
(Signed) A. NICOLSON

P.S.—Since writing the above despatch, I have had the honour to receive your telegram No. 112, and will be guided by your views as conveyed to me.

A. N.

[24873]

No. 40

Mr. Whitehead to Sir Edward Grey.—(Received July 23.)

(No. 133. Commercial.)

Sir,

Berlin, July 19, 1906.

I HAVE the honour to transmit to you herewith a copy in French of the seventeenth Annual Report of the Directors of the Anatolian Railway Company,* which I have obtained through the courtesy of Mr. Consul-General Schwabach.

I also inclose a short précis of this Report, in which the figures are reduced to sterling (25 fr. = 1l. and £ 1. = 18s. 0½d.) and to English weights and measures.

I have, &c.
(Signed) J. B. WHITEHEAD

Inclosure in No. 40.

Memorandum on the Seventeenth Annual Report of the Directors of the Anatolian Railway Company for the year 1905 (dated at Constantinople in May 1906)

Line open to Traffic.—The length of line worked remained unchanged at about 613 miles (1,032 kilom.). The Company, however, also undertook the working of the extension of the Bagdad Railway from Konia to Eregh, about 125 miles, on which the traffic was conducted with safety and punctuality. The trains on the Anatolian Railway covered 928,661 miles in 1905, as against 964,430 miles in the previous year.

Receipts.—The gross receipts of the main line from Haidar Pasha to Angora (308 miles) amounted to 285,849l. (212,673l. in 1904), an increase of 43,176l. or 20·35 per cent. The receipts per mile rose from 470l. in 1904 to 700l. in 1905.

On the Eski Shehir-Konia extension (276 miles) the gross receipts amounted to 141,824l. (117,619l. in 1904), an increase of 24,205l. or about 20·55 per cent. The receipts per mile rose from 425l. in 1904 to 513l. in 1905. The small branch line from Hamidie to Ada Bazar (less than 6 miles) is the only part of the line which shows a falling off in gross receipts. They amounted in 1905 to 4,307l. (4,712l. in 1904), a decrease of 405l. or 8·59 per cent. The receipts per mile on this branch fell from about 842l. in 1904 to 770l. in 1905.

The total gross receipts for the whole system amounted, therefore, to 431,979l. (365,034l. in 1904), an increase of 66,945l., or at the rate of 18·34 per cent.

* Not printed.

The increase or decrease of gross receipts per mile from different kinds of traffic is shown in the following table:

	1903	1904
Passenger traffic	100	100
Goods traffic	100	100
Military transport	100	100
Post and telegraph	100	100
Other	100	100

Traffic.—The increase of passenger traffic on the Hadar Pash-Adana line is exclusively due to the development of the suburban traffic from Constantinople to the Princes Islands via Maltepe, in connection with the "Mahbouze" steamers. This new service accounts for an increase of about 300,000 passengers. The remainder of the main line would probably also have shown an increase of passenger traffic had it not been for the police restrictions decreed in consequence of the attempt on the life of His Majesty the Sultan. On the Eski Shehir-Konia line these restrictions were not enforced to the same degree, and there was a noticeable increase of ordinary passenger traffic, the decrease in receipts noted above being entirely due to reduced military transports.

The development of goods traffic has in general been satisfactory, the transport of grain alone showing an increase of 33,797 tons, of which 25,391 tons were carried by the Konia line.

Working Expenses.—The ordinary working expenses of the whole line during 1905, Galata, compare as follows with the preceding year:—

General expenditure	100
Maintenance of traction	100
Other	100

Taking all three lines together the average results per mile in 1905 and 1904 were as follows:—

Passenger traffic	100
Goods traffic	100
Military transport	100
Post and telegraph	100
Other	100

The working expenses therefore amounted to less than 40 per cent. of the gross receipts in 1905, as compared with over 45 per cent. in 1904.

Extraordinary expenditure amounting to 7,134l. was also incurred (partly for agricultural purposes), and was defrayed from revenue.

The interest on the "Renewal Fund," amounting to 9,707l., was again added to capital, together with a further donation of 8,000l. from general revenue, so that the total addition to this fund for the year amounts to 17,707l.

Kilometric Guarantee.—The sums paid to the Company by the Ottoman Government on account of kilometre guarantee for the year 1905 amounted for the Hadar Pash-Adana line to 41,564l., and for the Eski Shehir-Konia extension to 101,641l. These sums were paid in full by the Administration of the Public Debt in January

1906. The gross receipts of the Eski Shehir-Konia line exceeded for the first time the minimum of 448l. per mile contemplated by the Concession, so that the Government no longer paid the maximum of 118,062l. as kilometre guarantee, but 17,311l. less.

Rolling-stock.—At the end of 1905 the rolling-stock of the Company consisted of:—

Locomotives	15
Passenger coaches	6
Goods coaches	4
Wagons	2
Other	1,376

There have also been ordered three further tender-engines for passenger trains, and one large engine for goods trains.

Finance.—The following alterations have taken place in the financial position of the Company:—

(a.) The redemption of debentures has proceeded regularly according to the programme of amortization. The debenture capital, which originally amounted to 6,400,000l. nominal, had been reduced on the 31st December, 1905, to 5,343,000l.

(b.) In accordance with the Resolution of the general meeting held on the 30th June, 1905, and with Article 37 of the Articles of Association, fourteen fully paid-up shares and eighty-six shares on which 60 per cent. had been paid, were redeemed by lot at a net cost of 1,312l., and "bons de jouissance" issued in their place. The total number of redeemed shares on the 31st December, 1905, was 891, of a nominal value of 17,840l.

(c.) Taking advantage of the right conferred by the general meeting on the 23rd June, 1905, the Deutsche Bank has taken up the 15,000 shares (Nos. 120,001 to 135,000) which were held in reserve. On these shares the bank has paid up 60 per cent., thereby increasing the share capital of the Company by 180,000l.

(d.) The repayment of the advance made to the Ministry of Marine on the 7th July, 1903, the Company's claim still amounted to 137,013l.

Division of Profits.—The available surplus from profit and loss account (including balance from 1904) amounted to 116,876l.

It was proposed to divide this sum as follows:—

Regular reserve fund	100
1 per cent. interest on paid-up share capital	100
Redemption of shares	100
1 per cent. on profit dividend on 119,106 shares and 891 "bons de jouissance"	100
Balance to next account	100

These proposals give the shareholders for the first time a dividend of 6 per cent.

Management and Board of Directors.—Dr. Zander, who has been General Manager of the Company since 1897, has resigned in order to return to Berlin, where he will continue, however, to act as "Administrateur-Délégué." He has been replaced by M. K. Huguenin, who has been appointed General Manager and Delegate of the Board of Directors at Constantinople.

On the 31st December, 1905, the Board of Directors was constituted as follows:—

- Arthur Gwinner, Director of the Deutsche Bank, Chairman.
- R. Schröder, Member of the Reichstag, &c., Vice-Chairman in Berlin.
- C. Testa, Delegate of the German Bondholders on the Council of the Ottoman Public Debt, Vice-Chairman in Constantinople.
- L. Berger, Delegate of the French Bondholders on the Council of the Ottoman Public Debt.
- I. Delfes, Director-General of the Ottoman Bank.

<p>LA C... ... Delegue des Conseil d'Ad- De l'Etat Publique Constantinople.</p> <p>... Consul, Associe de la Maison Jacob S. H. Stern, Francfort-</p> <p>CARLO ESTERLEK, Administrateur-Delegue la Societa Generale Italiana Edison</p> <p>... Banquier, Constantinople. Son Excellence HAMDI Bey, Delegue des teurs Ottomans au Conseil d'Ad- de la Dette Publique Constantinople.</p> <p>... de des Postes et Telegraphes pire Ottoman, Constantinople.</p> <p>... Directeur-General de la Societe du Chemin de Fer Ottoman Administrateur-Delegue,</p> <p>... Administrateur de la be Vereinsbank, Stutt-</p> <p>O von KUDLMASS, Administrateur de la Bayerische Vereinsbank Muench</p>	<p>PYRAME NAVILLE, Administrateur de la Banque Imperiale Ottomane, Paris Son Excellence PANGLOS Bey, Directeur de la Banque Imperiale Ottomane</p> <p>L. PISAARD, Constantinople</p> <p>Fer e. d., Membre du Reichstag All-mend, Administrateur de la Deutsche Bank, Berlin</p> <p>Dr. P. SCHWABACH socié de la V... Berlin</p> <p>M. STINTHAL, Directeur de la Deutsche Bank Berlin</p> <p>K. ROTGERMAYEN, Directeur du Wiener Bank-Verein, Vien</p> <p>Paris et des Pays-Rus, Paris</p> <p>AD. VERNES, Administrateur de la Banque Imperiale Ottomane, Paris</p> <p>C. WERNER, Associe de la Maison Thiesen Constantinople</p> <p>Dr. K. ZANTZEN, Conservateur Intime, ancien Directeur-General de la Societe du Chemin de Fer Ottoman d'Anatolie Constantinople</p>
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Nous avons l'honneur en exécution de l'Art. de 31 des Statuts de vous convoquer l'Assemblée Générale Ordinaire, pour soumettre à votre examen et à votre approbation les comptes de l'exercice qui a pris fin le 31 Décembre, 1905.

1. Réseau exploité

La longueur du réseau en exploitation est de 200 kil.

2. Recettes brutes

Les recettes totales se sont élevées à £ T 11,25.

pte à raison de 4 10 p. 100, qui se répartissent comme suit

Voyageurs	..	..	..	..	0,006 78	=	12 281 31
Bagages et chiens	..	..	..	..	122 89	=	5,010 39
Marchandises et bestiaux	..	..	..	..	0,5 28 31	=	182 450 37

La recette kilométrique de l'exercice ascend ainsi à 1,610 fr. 80 c., dont

Pour voyageurs	.....	.....
.....
« marchandises et bestiaux	.....	.....

3. Trafic

Le trafic des marchandises s'est élevé à 27 668 tonnes, de céréales et 1,225 tonnes de légumes secs.

Les voyageurs ont atteint 3,258,587 voyageurs-kilomètres, et ces quatre marchandises 3,311,597 tonnes kilométriques.

Les trains ont parcouru 157,070 km.

Le parcours des voitures et wagons représente 2,585,676 essieux kilométriques.

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Annexe B.

Comptes Produits et Pertes 31 Janvier, 1905.

Produit	Fr.	Cent.	Mill.	Total
Produit net	1,135,045	28	80,075	1,215,120
Moins Report de l'exercice 1904	94,325	48	4,150	98,475
Produit net	1,040,720	80	75,925	1,116,645
Prélèvement en faveur de "Fonds de Prévoyance"	500,000	00	22,000	522,000
10 pour cent à la Réserve statutaire	104,072	80	23,025	127,097
3 pour cent d'intérêts sur le capital-actions versé	31,221	60	7,177	38,398
10 pour cent aux Administrateurs à titre de traitement	104,072	80	23,025	127,097
1 pour cent de Dividende supplémentaire	10,407	28	2,302	12,709
Plus Report de l'exercice 1904	94,325	48	4,150	98,475
Total	1,345,742	96	105,601	1,451,343

Constantinople, Mai 1904

L'Administrateur Délégué,
L.D. HUGUENIN

Les chiffres de la colonne "Produit net" sont exclusivement en livres Turques, les chiffres en francs n'y sont ajoutés que pour l'éclaircissement des comptes.

Annexe (C).

Constantinople, le 9 Juin, 1905

Monsieur le Président de l'Assemblée Générale du 30 Juin, 1905, en qui le dévouement et la loyauté de l'Assemblée Générale Ottomane du Chemin de Fer de Bagdad sont connus, j'ai l'honneur de vous adresser ces comptes qui ont été mis à ma disposition par l'Article 25 des Statuts.

J'ai l'honneur de vous informer qu'en l'absence de mon collègue, M. Fr. Neef, et d'accord avec lui j'ai procédé seul à la vérification du bilan et du compte profits et pertes et que j'en ai constaté la parfaite concordance avec les livres de la Société.

Veuillez agréer,
(Signé) J. BELART-LANZ

A l'Assemblée Générale de la Société Impériale
Ottomane du Chemin de Fer de Bagdad

Annexe (D).

Proposition concernant la Répartition du Bénéfice de l'Exercice 1905

	Fr.	Cent.	Mill.	Total
Produit net	1,135,045	28	80,075	1,215,120
Moins Report de l'exercice 1904	94,325	48	4,150	98,475
Produit net	1,040,720	80	75,925	1,116,645
Prélèvement en faveur de "Fonds de Prévoyance"	500,000	00	22,000	522,000
10 pour cent à la Réserve statutaire	104,072	80	23,025	127,097
3 pour cent d'intérêts sur le capital-actions versé	31,221	60	7,177	38,398
10 pour cent aux Administrateurs à titre de traitement	104,072	80	23,025	127,097
1 pour cent de Dividende supplémentaire	10,407	28	2,302	12,709
Plus Report de l'exercice 1904	94,325	48	4,150	98,475
Total	1,345,742	96	105,601	1,451,343

[25516]

No. 43.

Question asked in the House of Commons, July 24, 1905.

Mr. Hart-Davis.—To ask the Secretary of State for Foreign Affairs whether he is in a position to make any statement as to the proposed Bagdad Railway; whether, in the event of the railway being prolonged to the Persian Gulf, he will consider the advisability of this extension being financed by British capitalists; and whether any negotiations are going on as to the proposed alternative terminus of Howon and Khor Abdullah.

Answer.

No negotiations are proceeding with His Majesty's Government in regard to the Bagdad Railway, and I have therefore no statement to make regarding it.

25418]

No. 44.

Sir A. Nicolson to Sir Edward Grey.—(Received July 25.)

(No. 165.)

(Telegraphic.) P.

St. Petersburg, July 25, 1906.

MY telegram No. 118 of the 18th ultimo Bagdad Railway.

I am informed by the French Ambassador that the Director of the Deutsche Bank has returned to Berlin from Paris without any arrangement with the Ottoman Bank having been come to. He asserts that foreign assistance is unnecessary to the completion of the line, and he is opposed to British participation, on the ground that it would not be favourably viewed by the Turkish Government.

(25782)

No. 45.

Extract from the "Times" of July 27, 1906.

Debate in the House of Commons, July 26.

Mr. Bowles (Lambeth, Norwood) asked the Secretary of State for Foreign Affairs whether he was aware that the military expenditure of the Macedonian Budget was defrayed out of Turkish Imperial funds; that any increase of Turkish Customs duties would set free a certain, though not necessarily an equal, amount of Imperial funds; and whether, in view of the importance of this matter to British interests, he could state the grounds upon which he based his opinion that such funds, so set free, could not be used towards finding the guarantee required for the Bagdad Railway.

Sir E. Grey.—His Majesty's Government are aware of the proportion of expenditure under military and civil heads respectively. The military expenditure has not hitherto been defrayed out of Imperial funds, as in the Ottoman Empire each vilayet has to bear the charge of its own garrison. Any increase in the Customs would set free a certain, though not necessarily an equal, amount of Imperial funds. His Majesty's Government are unable, in view of the various financial necessities of the Ottoman Empire, to determine how such funds would be applied.

Mr. Lynch (York, W. R., Ripon) asked whether the right honourable gentleman would stipulate for a reduction of the Turkish military expenditure now charged to the Macedonian Budget before giving the consent of this country to the proposed increase in the Customs duties.

Sir E. Grey.—The question of what conditions should be made is still under consideration, and I can make no further statement on the subject.

26266]

No. 46.

India Office to Foreign Office.—(Received August 1.)

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS, and, by direction of Mr. Secretary Morley, forwards herewith, for the information of the Secretary of State, copy of a Secret Letter from the India Office to the Foreign Office, dated July 31, 1906, in relation to the Bagdad Railway from the Mediterranean to the Persian Gulf.

India Office, July 31, 1906.

Inclosure 1 in No. 43.

Mr. Morley to Government of India.

(Secret)

My Lord,

India Office, July 20, 1906.

WITH reference to the letter from the Naval Commander-in-chief on the East Indies Station to the Secretary to your Excellency's Government in the Foreign Department of the 19th May last, I inclose herewith, for the information of the Government of India, a copy of a letter from the Lords Commissioners of the Admiralty on the subject of the relative merits of Kurem and Kathama as terminal stations for a railway from the Mediterranean to the Persian Gulf.

I have, &c.
(Signed) JOHN MORLEY

Inclosure 2 in No. 46.

Admiralty to India Office.

Sir,

Admiralty, July 11, 1906.

I AM commanded by my Lords Commissioners of the Admiralty to forward herewith a copy of a letter from the Naval Commander-in-chief on the East Indies Station, stating his views regarding the possibilities of Kurem and Kathama as terminal stations for a railway from the Mediterranean to the Persian Gulf.

2. Their Lordships' views are not wholly in accord with those of the Commander-in-chief regarding the hydrographic and commercial considerations involved.

Kurem Harbour, as shown in Chart No. 3571, possesses the following advantages:

(a) The berths alongside the wharf would be perfectly secure at all times.
(b) A railway could run down to the wharf, and passengers or goods be embarked or disembarked without delay.

A rough idea of what is meant is shown on the attached cutting from chart No. 3571.

3. With regard to Kathama, it is to be observed—
(a.) That a depth of 20 feet at low water is about 2 miles or upwards from the shore;

(b.) That it would be a much more expensive work to construct a wharf, alongside which vessels could moor, at Kathama than at Kurem;

(c.) There would be, however, plenty of room for vessels to anchor in an area of about 100 acres at Kathama.

4. The expense of fitting a terminal port for traffic is small in comparison with the expense of a railway, and the advantage of a railway is greatly increased if a terminal port could be made at Kurem at probably a very much less cost than at Kathama.

5. In placing the above considerations before the Secretary of State, my Lords do not recommend either Kurem or Kathama at the present moment.

[1635]

N

This is a question of policy which involves much wider issues.

As, however, the subject is engaging the attention of the Government of India, Mr. Morley may think it desirable that they should be in possession of the facts set forth above, which are material to a full consideration of the question.

I am, &c.
(Signed) EVAN MACGREGOR.

Inclosure 3 in No. 46.

Vice-Admiral Poe to Government of India.

(Confidential.)

Sir,

"Hermes," at Kurrachee, May 19, 1906.

I HAVE the honour to submit the following remarks on the inner harbour at Kurrachee just to the south-west of Koweit, for the information of his Excellency the Viceroy and Governor-General in Council. I did not refer to this matter in my recent report on the Persian Gulf of the 26th ultimo, as I did not attach much importance to it; but, in view of the opinion expressed in paragraph 25 of Confidential Memorandum of information regarding external affairs in the Persian Gulf for the month of March last by the Captain of the R.I.M.S. "Investigator," "The inner harbour of Kurrachee, which is a narrow channel, should, if the anchorage would be the proper site for a railway station, should a railway ever come to Koweit," I feel bound to represent that I do not concur in this opinion, for the reasons stated hereafter.

2. The deep-water anchorage off Kurrachee is shown in our old Admiralty chart, but the recent survey by the "Investigator" has increased our knowledge very greatly, and has then drawn attention to it.

3. While there is no doubt that at Kurrachee there is a narrow stretch of deep water and good anchorage carrying an average depth of about 25 feet for a length of about 1 mile (2,000 yards) and of about 31 to 32 feet for a further distance of 3 cables (600 yards), the width of the anchorage between the 3-fathom lines is nowhere more than 2½ cables (500 yards), and is more generally only 2 cables (400 yards), and to enter this anchorage there is not more than 13 feet at low water, and that only in a very narrow channel and 25 feet at high-water springs, and this channel is nearly a mile (1,000 yards) long.

4. Bearing these facts in mind, and that a railway from Bagdad to Koweit, or any other deep-water terminus in the Persian Gulf, would only be practicable as a commercial transaction if there was a vastly increased amount of produce to be exported, and, further, considering that, if this vast increase of produce should become a fact, small steamers would be of no use to remove it, the whole tendency of the time being to run large vessels which are much more economical cargo-carriers than small ones, I therefore think it very improbable that the Kurrachee anchorage would be selected, entailing, as it would, very extensive dredging, the cost of which could not be estimated until careful borings had been made, and the result being to open up a comparatively small area of water for large vessels.

5. Under these circumstances, and considering that there is a large area of deep water at Bulat Kathama with very easy approach at all times, and that this deep water is only 1 mile from the shore, I do not think we need consider Kurrachee as a probable site for the terminus of the railway. No doubt it is very convenient to the town of Koweit, and the British would therefore probably favour it, and it is, of course, a very good anchorage for small vessels.

6. The Kurrachee position is an excellent one for a boat harbour, and also for a vessel of war to anchor and support the defence of Koweit in an attack from the desert, as the "Peregrine" class could enter a little before high water, but even a draught of water (23 ft. 6 in.) being too great, even at high-water springs, for the "Peregrine" class.

I have, &c.
(Signed) EDMUND S. POE.

[27426]

No. 47.

Committee of Imperial Defence to Foreign Office.—(Received August 11)

(Secret.)

Sir,

2, Whitehall Gardens, London, August 10, 1906.

I HAVE the honour to transmit, for the information of the Secretary of State for Foreign Affairs, an extract from the Minutes of the 92nd Meeting of the Committee of Imperial Defence, dated the 26th July, 1906, regarding the Bagdad Railway.

A similar communication has been addressed to the India Office.

I have, &c.
(For the Secretary),
(Signed) F. LYON, Assistant Secretary.

Inclosure in No. 47.

Extract from the Minutes of the 92nd Meeting of the Committee of Imperial Defence, held on July 26, 1906.

THE BAGDAD RAILWAY.

[C.I.D. Paper 77 n, and Minutes of the 67th and 70th Meetings.]

(Conclusion.)

THE Committee consider that it is most undesirable, from the military and commercial point of view, that the Bagdad Railway should be completed and controlled by a foreign Power or Powers. Having regard to British interests, the best arrangement is that the railway should be controlled by a British Manager, subject to the general control of an International Board.

(True Extract.)
F. LYON, Assistant Secretary,
Committee of Imperial Defence.

[30485]

No. 48.

Sir N. O'Connor to Sir Edward Grey.—Received September 10.)

(No. 613. Confidential.)

Sir,

Therapia, September 4, 1906.

I HAVE received in the Confidential Print a copy of the Annual Report of the Bagdad Railway Company for the year 1905, which was forwarded in Mr. Whitehead's letter to the Foreign Office of the 10th July.

In view of the fact that this railway is supposed to be a purely German undertaking, one cannot, I think, help being struck by the number of French financiers whose names are mentioned in the Report.

M. Pissard, who was formerly agent of the Creusot Works at Constantinople, and has recently been appointed Director General of the Ottoman Public Debt in the room of Count d'Arenberg, has joined the Board. M. Pissard is very intimate with the French Embassy here, and his candidature for the vacant post of Director General of the Debt was very strongly supported by M. Constans.

It will be noticed that not only are all the French representatives of French interests in the Public Debt Directors of the Bagdad Railway Company, but that the French financiers who are at the head of the Imperial Ottoman Bank at Constantinople and of the Paris Branch of the same institution are also without exception members of the Board.

I venture to think it would be well to ascertain privately from the Imperial Ottoman Bank in London whether the inclusion of these names on the list of Directors may be construed as showing the existence of a private understanding between their Syndicates and the Bagdad Railway Company.

Apart, however, from the question as to what significance should properly be attached to the number of Frenchmen on the Board, I think that Mr. Gwinner's recent

visit to Paris, which is reported not to have been attended with any definite result, may result in forcing the Germans to the conclusion that it is only by their own unaided efforts that they will be able to attain the object of their ambitions.

If this comes to pass, the declaration made to me in 1903 by Dr Gwinner (see my despatch No. 831 of the 15th December of that year), to the effect that, as far as the Anatolian Railway Company were concerned, there would be no objection to an arrangement by which the construction of the Persian Gulf and of the Bagdad Railway would be given to a British Syndicate would presumably no longer hold good, and the possibility of an eventual participation of Great Britain in the enterprise on such a basis, which was reverted to in the course of the private conversation which I had in July of last year with Dr Zander, and has never in principle been definitely discarded by the German group, would also disappear.

I venture to think that it is most desirable that we should very carefully consider the consequences of allowing this phase of the negotiations to drop, and whether there is any other equally practical and advantageous solution of the question of participation from a British point of view.

I have, &c.
(Signed) N. E. O'CONNOR.

[32383]

No. 49.

Board of Trade to Foreign Office. (Received September 25.)

(Confidential.)

Sir,

Board of Trade, September 24, 1908

I AM directed by the Board of Trade to forward herewith, for the information of Sir R. Grey, copy of a Report by an agent of the Jewish Colonization Association, describing a journey in the neighbourhood of the projected track of the Bagdad Railway.

I am to request that this document may be regarded as strictly confidential.

I have, &c.
(Signed) T. H. W. PELHAM

Inclosure 1 in No. 49

M. Niège to Jewish Colonization Association, Paris.

(Confidential.)

Messieurs,

Bagdad, le 9 Juillet, 1908.

J'ai l'honneur de vous confirmer la dépêche que je vous ai envoyée ce matin.

Je suis, en effet, arrivé ce matin à Bagdad. J'ai laissé le kélek à Samarra avec le domestique et j'ai continué la route en voiture. A partir de Samarra le Tigre fut une grande courbe et de nombreux détours avant d'arriver à Bagdad, tandis que la

jus de trois mois et demi, que je vais constamment d'une place à une autre, en train, en chemin de fer, en voiture, en charrette, à cheval, à pied, en kélek. C'est le kélek qui a le plus fait à ma santé. Je suis resté douze jours à Samarra, sur le fleuve, pas sur un transatlantique élevé à parois étanches, mais sur la surface du fleuve sur des pontons gonflés surmontés de madriers à claire-voie.

Un soleil de plomb sur la tête et les jambes presque complètement dans l'humidité. Les autres sont à moitié plongés dans l'eau, et pour que la partie qui submerge ne soit pas frottée par le soleil on l'arrose constamment. J'ai tout le bas du corps commeankylosé, sans pouvoir me remuer, avec quelques douleurs rhumatismales.

Permettez-moi de prendre quelques jours de repos. Je vous ferai parvenir ensuite quelques communications sur l'intéressant voyage que je viens de faire et sur les communautés Israélites que j'ai étudiées en cours de route.

Veuillez, &c.
(Signé) J. NIÈGE.

Inclosure 2 in No. 49.

M. Niège to Jewish Colonization Association, Paris.

(Confidential.)

Messieurs,

Bagdad, le 16 Juillet, 1908.

J'EUS l'honneur de vous faire savoir, dans mes précédentes communications, que les environs immédiats d'Alep, dans un rayon limité, n'étaient pas d'une fertilité extraordinaire : qu'ils étaient, au contraire, pierreux et secs, et que ni la nature du sol, ni les rendements antérieurement obtenus, ni la végétation spontanée, ni les récoltes pendantes n'indiquaient un sol riche et productif.

Quoi que ce fût un peu en dehors de vos intentions, j'ai tenu à vous rendre compte des propriétés qui se trouvaient sur le bord de l'Euphrate, le long de la route qui conduit d'Alep à Birséjyk.

En quittant Alep on se trouve toujours en présence de terrains maigres, calcaires, caillouteux, à sous-sol pierreux blanchâtre. Ce sont des terres de qualité inférieure.

Depuis Alep jusqu'à El-Bab (39 kilom.) il ne m'a pas été donné de voir des terres riches, fertiles.

Autour d'El-Bab les terrains sont à peu près de même qualité que ceux qui environnent Alep. Il faut s'éloigner d'El-Bab pour que la terre s'améliore petit à petit, pour qu'elle devienne plus fraîche, plus argileuse, pour qu'elle soit propre à la culture du blé à bons rendements et au sésame du sargho d'été sans irrigation.

Mais les meilleures terres dans ces parages dépendent du Caza de Moubadj, qui appartient presque tout entier à la Liste Civile.

Tous les villages que j'ai parcourus sont propriétés particulières de Sa Majesté le Sultan. Les villages les plus importants sont : Samarra, Bagdad, Tikrit, Mossoul, etc.

Il a fallu complètement dévier à gauche et m'écarter tout à fait de la route pour percevoir de vastes domaines disponibles appartenant à un certain Thonon Habib, richard Chrétien d'Alep, sur lesquels il exerce son influence.

Ces villages sont les :

Noms et localités	Données
Tikrit	2,000
Zagha	1,000
Zamirga	5,000
Deri-Ghoul et Chéhab	5,000
Kara-Kou et Loughmangir	
Le Chéhab et Hémer	
Kabouja et Dyrabouja	

Les terres de ces villages ont l'avantage d'être attenantes les unes à côté des autres de façon à former une série successive de propriétés qui se touchent, sans enclave, sans solution de continuité.

Dans tous ces parages on ne se rend pas exactement compte des surfaces ; on ne connaît pas le doumoul. On calcule l'étendue d'après la quantité de semence que le sol peut recevoir. Un choumoul est une mesure de blé usité dans le Vilayet d'Alep. Elle pèse 80 okes, c'est à peu près 4 kils de Constantinople. Un choumoul de semence peut approximativement couvrir une surface de 4 doumouls, de sorte que l'étendue des terres situées dans les villages précités avaut de 112,000 doumouls.

La surface est grande, mais malheureusement les terres ne sont pas de bonne qualité. Elles sont pour la plupart calcaires, caillouteuses ou sablonneuses, légères, fertilité moyenne, pouvant être rangées dans la catégorie de terres de troisième ordre. Elles ne peuvent pas être soumises aux irrigations, sauf une petite surface

que cette surface doit être inondée pendant l'hiver et le printemps et ne peut être soumise qu'aux cultures d'été ; en effet, j'y ai rencontré une culture de chanvre. Sur tout le reste de la propriété, la terre est élevée et n'est pas susceptible d'être arrosée par l'Euphrate. On n'y fait que des cultures d'hiver (blé et orge) soumises aux influences des pluies. Les cultures d'été sans irrigation sont impossibles, à cause de la grande sécheresse et de la grande perméabilité du sol. Or, dans ces pays si richement ensoleillés, il ne vaut pas la peine d'entreprendre des cultures rationnelles et

lucratives que si le sol peut être soumis aux irrigations et est apte aux riches semis d'été (doura, maïs, sésame, coton, riz, cucurbitacées).

De sorte que toutes les terres que j'ai parcourues aux environs d'Alep (en dehors de Castoun), et depuis Alep jusqu'à l'Euphrate, ne conviennent pas pour une entreprise d'une œuvre de colonisation.

Dès que nous traversons l'Euphrate à Biredjik (à 152 kilom. d'Alep) nous sommes loin de toute autorité, dans un pays soumis aux déprédations des tribus Arabes et aux incursions des régiments irréguliers Hamidiés placés sous l'influence du Kurde Ibrahim Pacha.

Les environs de Biredjik sont caractérisés par des collines toutes encaissées, dénudées, incultes. Sur plus de quatre heures de marche au milieu d'un terrain à roche dure formant des pierres à bâtir, on ne rencontre pas de village; rien que la solitude avec une ardente réverbération des terrains blancs surchauffés par le soleil. Puis, tout d'un coup, l'horizon change d'aspect. Nous pénétrons dans la vallée de Soroudj, l'ancienne Batnâ, célèbre déjà dans l'antiquité.

Nous marchons tout à l'heure dans un désert sans culture et sans population. Nous entrons tout d'un coup dans une contrée fertile, où les villages, naissant de terre, se multiplient tout d'un coup, comme par enchantement, tant il est vrai qu'il suffit que le sol soit cultivé, pour qu'immédiatement elle se peuple.

Plus de 370 villages se comptent dans la plaine de Soroudj. Ils sont serrés les uns contre les autres, et l'on voit, à chaque portée d'horizon, en compte dix à douze devant lui. Tous ces villages sont peuplés de Kurdes, sauf deux qui sont Arméniens. Autrefois il y avait plus d'Arméniens dans cette plaine, mais pendant les évènements

aux persécutions.

Cette plaine est formée d'un sol très fertile, argileux, de nature franche, très profond, mélangé de cailloux roulés blancs et noirs, encadré par des montagnes calcaires d'un côté et de roches basaltiques de l'autre. Des sources abondantes la parcourent et lui procurent l'eau nécessaire aux irrigations. Dans le sol l'eau remonte à 3 ou 4 mètres de profondeur et elle ne tarit jamais au fond des puits, même à la fin des étés les plus chauds. On y fait des cultures d'hiver et des cultures d'été. C'est ici que j'ai rencontré les plus belles cultures de chanvre que j'ai jamais vues de ma vie. On sait que cette dernière plante ne pousse bien et ne se développe abondamment que sur des terres d'une fertilité exceptionnelle.

J'ai demandé par curiosité si dans ces parages on pouvait trouver des terres à acquérir. On m'a répondu que cela est tout à fait impossible, que toute la plaine de Soroudj est entre les mains de quelques Chefs Kurdes très riches, qui ne consentiront jamais à s'en défaire. Tous les Kurdes habitant la plaine sont placés sous l'autorité d'un Cheikh de tribu. Ibrahim Pacha, qui commande aux Hamidiés, a essayé plusieurs fois de soumettre sous sa dépendance tous ces riches villages, mais il n'y est pas encore parvenu. Il a été repoussé plusieurs fois. On dit qu'il prépare encore une expédition pour cette année.

Il faut ajouter que toutes les cultures de la plaine de Soroudj sont de toute première qualité et qu'elle produit en très grande quantité du blé, de l'orge, du sorgho, du chanvre, et élève beaucoup de moutons.

De Soroudj à Ourpha il n'y a que 54 kilom.

Ourpha, l'Édesse du temps des Croisés, l'ancien Our-Casdim de la Bible, pays d'origine du Patriarche Abraham, est aussi situé au milieu d'une plaine très fertile, de nature argileuse, rouge brune. Toute la plaine jusqu'à Harran (sept heures de distance) et au-delà est de même nature, riche, arrosée par de nombreux petits cours d'eau, qui se réunissent et forment le Nahr-Beslich, qui se jette dans l'Euphrate. Les habitants de la plaine de Soroudj et de Ourpha ont trois fléaux—les sauterelles, la sauterelle des habitants, et les razzias d'Ibrahim Pacha.

Depuis vingt-cinq ans les sauterelles se sont installées dans le pays et on ne peut plus y cultiver rien. Les razzias d'Ibrahim Pacha ont aussi fait beaucoup de mal. Les habitants de la plaine de Soroudj et de Ourpha ont été obligés de se réfugier dans les montagnes.

La région n'est pas très peuplée, mais les habitants qui s'y trouvent sont réputés

pour leurs mœurs belliqueuses. Tribu contre tribu, village contre village sont constamment en lutte.

Enfin, pour la compréhension de ce qui précède, il est nécessaire que je vous donne quelques explications sur Ibrahim Pacha. Ce dernier est un Kurde très puissant, chef des régiments Hamidiés irréguliers. Il est le roi de la contrée de la Haute Mésopotamie, dans la région qui s'étend à la limite du Kurdistan au nord et de l'Euphrate dépendant des Vilayets d'Alep, de Diarbekir, et de Mossoul. Son quartier-général est à Viran-Chékir. Les régiments Hamidiés sont fournis de Kurdes et d'Arabes bandits, pillards, assassins, gens sans aveu, sans foi ni loi, qui obéissent aveuglément aux ordres de leur chef. Ils ne vivent que de vol et de rapine. Ils demeurent sous leurs tentes et se rendent au premier appel auprès d'Ibrahim Pacha, montés sur leurs coursiers. Celui-ci les envoie dans telle ou telle contrée pour faire des razzias, voler des animaux. Tous les villages qui ne veulent pas être sous la dépendance sont soumis au pillage, c'est ainsi que, petit à petit, les villages se placent sous sa suzeraineté. Alors c'est lui qui ramasse tous les impôts—vergho, dit-on—payés sur les animaux—et remet au Trésor Public ce qui lui plaît de donner, et tout pour lui la plus grande partie. Les revenus de l'État diminuent de jour en jour. La force régulière armée recule devant les bandes irrégulières, l'influence des autorités de Constantinople est annihilée par celle du chef des Hamidiés. Les gros propriétaires qui n'ont pas voulu se soumettre ont vu tous leurs domaines pillés, ravagés, saccagés, incendiés, jusqu'aux portes même de Diarbekir. Ils ont eu beau protester, se rendre même à Constantinople pour réclamer, mais ils n'ont jamais pu obtenir gain de cause.

Ibrahim Pacha avait été dans le temps chargé pour répandre la terreur dans la contrée et massacrer les Arméniens qui voulaient faire une révolution. Après avoir réduit à néant toutes les campagnes Arméniennes, il tourne maintenant ses exploits contre les Musulmans eux-mêmes. Quelle ironie du sort!

M. Daoud Dayan, un Notable Israélite d'Ourpha, m'a fait de très belles propositions pour l'achat de très vastes étendues de terrains très fertiles dans cette région. Mais après la constatation de l'état d'insécurité du pays, tel que je viens de vous le relater, il est naturel que je ne devais pas prêter l'oreille à de pareilles offres.

J'ai dû vous indiquer tout mon travail dans le Vilayet d'Alep avant de vous introduire dans celui de Diarbekir.

Veuillez, &c.
(Signé) J. NIEGE.

[33882]

No. 50.

Mr. G. Barclay to Sir Edward Grey. (Received October 8.)

(No. 663.)

Sir,

Therapia, September 27, 1906

WITH reference to my despatch No. 618 of the 4th instant, I have the honour to transmit herewith copy of a despatch from the Acting British Consul-General at Bagdad, inclosing extracts from his diary for the week ending the 27th August. I would call attention to paragraph 84 relative to the visit of the captain of one of the Hamburg-American line of steamers to Bagdad.

I have, &c.
(Signed) G. BARCLAY

Inclosure I in No. 50.

Acting Consul General Ramsay to Sir N. O'Connor.

(No. 75.)

Sir,

Bagdad, August 27, 1906.

I HAVE the honour to submit, for your Excellency's information, a copy of the inclosed document.

2. The last reference on this subject was my despatch No. 73 dated the 20th instant.

I have, &c.
(Signed) J. RAMSAY

Inclosure 2 in No. 50

Diary to the Government of India in the Foreign Department, for the week ending August 27, 1906.

(Extract.)

THE captain of one of the Hamburg-American line of steamers has come to Bagdad. He is said to have come with the object of making inquiries as to the most economical means of transporting railway material, and with the special object of ascertaining whether it would be advisable to employ a special steamer for the purpose.

[33883]

No. 51.

Mr. G. Barclay to Sir Edward Grey — (Received October 8.)

No. 604.

I HAVE the honour to forward herewith a despatch from His Majesty's Resident and Consul-General at Bagdad on the local influence that is likely to be acquired by the Power which constructs and maintains a railway in Mesopotamia.

I have, &c.
(Signed) G. BARCLAY.

Inclosure 1 in No. 51

Acting Consul-General Runway to Sir N. O'Connor.

(No. 74. Confidential)

Sir, I HAVE the honour to offer, for your Excellency's information, a few remarks on the local influence that is likely to be acquired by the Power which maintains a railway in this exceedingly unsettled portion of the Sultan's dominions. The tribes of Irak may be split up and hostile to each other, but many of them are strong enough to keep the avarice of the Turkish officials within bounds, and the tribal system is a living organisation which cannot be ignored.

2. It is not my intention to attempt to deal with the international problems which have been raised by the proposal to construct the Bagdad Railway; this is a task for which I am in no way competent. At the same time it may perhaps be of interest to your Excellency to have a somewhat detailed forecast, written by a man who has for some years been in charge of a wild district on the Indian frontier in which a railway

of the Power making the railway will and must extend to the tribes through its own power.

The Arab tribes, at any rate between Basorah and Bagdad, have by no means fully accepted Turkish rule, which they hate, and the Arab Sheikhs are quite unable to see that a Turkish railway will weaken their own position, consequently it may fairly be assumed that they either have to be coerced or enjoined into refraining from active resistance. Thus, before even a detailed survey can be made, a negotiation will have to be carried on with the tribes through whom the line passes. The Arabs will not trust to Turkish promises, and the Power most interested will inevitably be concerned with the negotiations, and will have, either directly or indirectly, to guarantee the good faith of the Turkish officials.

and of a foreign Power, the Turks could only make the railway under their protection. During construction large bodies of labourers would have to be employed. Foreign officials would be brought in close touch with the local labourers and the labouring population of the district, through disputes and crimes in which the latter were concerned.

Supposing the railway to be completed, there are a number of questions which are certain to arise, and which will bring the railway officials in close touch with the people of the country. I will give a few examples of what I mean. Without the Euphrates and the Tigris, Mesopotamia could never be anything but a desert, at the same time these rivers will offer formidable dangers to railway engineers. It is

that the railway engineers would require to control the river where it approached bridges, but it seems to me that they might claim the right to much more extended interference. The tracing which I inclose* shows how the River Tigris above Kut-el-Amarah appears to have altered its course in recent years, according to the best maps available. It is a well-known fact that the Euphrates has forsaken its old bed altogether from a point near Musyib, and that what is now the Euphrates below that point was originally a small stream. In the facts before them, the managers of a great railway would be bound to superintend the banks of the rivers, and to have a voice in granting or refusing permission even for canals made according to Arab methods. Thus the foreigners would play a very important part in controlling the source of nearly all wealth in the country, and they would get unrivalled opportunities for preparing irrigation schemes of their own. There are many minor questions, too, concerning water that would bring the railway officials in close touch with the owner. In places it would probably suit the Arabs to allow the river to follow its natural course, but this might not suit the railway officials. Disputes would certainly rise about waterways under the railway. As the railway brings prosperity and provides a market for agricultural produce the area under cultivation will spread, and this will mean a demand for increased facilities for passing irrigation water under the line. Building materials for railway bridges and culverts will be expensive, and foundations will have to be deep. Consequently a Sheikh who may want to improve his canal will find it worth his while to keep on good terms with the railway officials.

river water is used, and there appears to be no other available, the railway officials must either be the owners of long channels under their own control, or they must become sharers with the tribesmen in channels common to both. In either case there will constantly be disputes about division of water, theft of water, or cost of cleaning and guarding the channels.

6. Putting aside questions immediately concerning the land and water, there are a number of other matters which will bring the railway officials into daily contact with the people.

The line will have to be guarded along its whole length, and guards will have to be provided at small stations. It is of course conceivable that this work might be done by Turkish soldiers, but it will probably be found much cheaper and more effective to employ men supplied by the local Sheikhs. This would at once bring the local Sheikhs and railway officials into close relations. The line will also be maintained by gangmen, who must be recruited from local labour.

At first, at any rate, people will be damaged by trains, and cattle trespassing on the line will be run over. Here again disputes will arise between the railway officials and the people.

7. The railway officials in which the railway officials must become closely connected with local parties and interests. The railway will be the one unrivalled route to the shrines of Nadjef and Karbala, which are the centre of the Shah religious world, and it will also bring a large number of Sunni pilgrims to the shrine of Sheikh Abdul Kadir at Bagdad. This must tend to increase the influence of the nation managing the railway.

The railway officials will certainly turn their attention to obtaining some local fuel, whether they find coal or petroleum, or have forests, as is customary along the banks of the Indus, their influence, or rather that of the Power under whose protection they work, will increase in proportion to their local expenses, which must in any case amount to a very large figure.

There are several other local peculiarities, probably not thought of in England, which will bring the railway officials into contact with the local tribesmen. As an instance of one, I may mention the recent attack on the British steamer "Khafah," which was intended to harm the British Government or British officials or subjects, the sole object of the Arabs was to force attention to their case (which they did with great success), and the railway would afford as good a means for political measures of this sort as the "Khafah." The Power managing the railway would certainly make its influence felt. The railway will be considered as the blood feud, and this will continue to exist for many years to come, if the experience of the Indian Government on the north-western frontier of

* This section was taken purely by chance.

India affords any sound basis for a conclusion. A life for a life is the law of the blood feud. Even if the European officials of the railway avoid liability to this law, which, according to local opinion, is very doubtful, there would be difficulty in obtaining any large number of labourers who were free from its penalties and obligations. Isolated railway employes would fall easy victims, and the railway officials would be forced to interfere for the protection of their servants.

9. So far I have only attempted to show how the railway officials would be forced to spread their influence among the people of the soil. It may perhaps be interesting to consider the causes that would oblige them to increase their influence with the Turkish officials and with the population of the towns.

10. The attitude of the Turkish Government towards the British Representative at Bagdad is one of the utmost suspicion. Scarcely any Turkish subject would dare to be seen inside the Residency, and certainly no conspicuous Arab or military officer. In these circumstances, it is difficult for the British Government's Representative to obtain close and first-hand knowledge of what is going on in the country, and it is quite impossible for him to have any personal influence which might be used in an emergency. With the Power owning the railway this kind of boycott would be impossible, and consequently that Power would have at its disposal a very considerable force of personal influence, which is a most valuable asset in the East in times of trouble as well as in times of peace.

Not only would the railway officials have unrivalled sources of information, they would also be in daily contact with the Turkish officials, who would have the decision of the hundred and one little disputes and difficulties that arise in connection with any large business undertaking.

Traders and shopkeepers would be likely to follow their national railway, and they would find it suited them to be zealous supporters of their nation and its trade. Hospitals and schools would also probably be opened.

11. I trust that I may be excused for intruding my opinion on a subject which has been fully discussed by some of the ablest men in Europe. My excuse must be the possibility that it has not been examined from the point of view of a man who has spent some years in directly administering a district populated by intractable Mohammedan tribes. My experience leads me to think that the Power which makes and manages the Bagdad Railway will, where it runs through the unsettled country of Mesopotamia, inevitably obtain a commanding influence both with the Turks and the tribesmen. If it ends the Power concerned to become the *de facto* ruler of the country, I can see nothing to prevent it from attaining that position.

12. As the value of my arguments entirely depends upon the accuracy of my statement that there is no properly-established Government able to keep the tribes in order, and that the tribes must therefore be treated as having effective political power, I enclose a Memorandum, which is not perhaps complete, showing the local disturbances that have taken place since the railway was opened.

I have, &c.
(Signed) J. RAMSAY, Major,
Officiating Political Resident in Turkish Arabia, and
Acting British Consul-General, Bagdad.

Inclosure 2 in No. 51.

Tracing from Maps.

[Not printed.]

Inclosure 3 in No. 51.

Memorandum.

July 17, 1900.—A detachment of 200 men (including 100 infantry) left Bagdad for Mosul to punish certain Persian tribes who had cut off an irrigation canal and diverted its water to the detriment of the Arab tribes there.

September 6, 1900.—300 infantry, 20 artillery, and 1 mountain gun sent to Mosul for the same purpose; 300 cavalry reported to have also left Khanakin for Mosul.

September 10, 1900, in the same territory consisting of about 200 mules laden with goods, sent to Kerkuk by certain Kurdish tribes. That of the 10th September was killed, and that the robbers got off to Persian territory with 40 mules laden with the most valuable of the goods.

August 1, 1902.—Embassy informed of disturbances among the Arab tribes in the neighbourhood of Kerkala. The authorities were, however, able to suppress it with the troops on the spot. Colonel Newmarch did not think the incident of much consequence, except as showing the unruly and inflammable character of the Arabs in these parts.

October 16, 1902.—Embassy informed of a fight between the Anezi and Shammar Arabs near Kerkala, and that a detachment of cavalry consisting of 140 sabres were dispatched from Hilla to quell it.

November 5, 1903.—Bussoorah Consul reports a disturbance at Nasariyah in which some 100 men were killed and six officers.

He also reports fighting at Amarah between the tribes of Seyhud, Azerij, and Solagi regarding some rice-fields. The troops fired on the Arabs. Official reports state that some 150 men on the side of the Arabs were killed. Private reports estimate 500 persons, inclusive of men, women, and children.

November 21, 1903.—Bussoorah Consul reports an attempt by Sadun Pasha, of the Muntalk tribe, to cross into the Jaurah, and the opposition of the tribes residing there.

The local tribes appealed to the Government, who sent the Kol Aghassi with 500 soldiers and gendarmes to try and settle matters. It ended, however, in the tribes, including the Kol Aghassi, being massacred.

December 17, 1903.—In connection with the above incident the Bussoorah Consul reports the arrival at Zubair of Muhammad Pasha Daghestani with 1,200 men. He also reported that, previous to the arrival of the troops, a party of the Muntalk had raided a village on the outskirts of Bussoorah and carried off cattle and camels. The tribes in Bussoorah, and shops and houses were closed.

December 28, 1903.—Bussoorah Consul reports arrival of a battalion from Hilla, and 100 reserves from Amarah. Including the 1,200 men at Zubair, Bussoorah Consul reports that the tribes are still giving trouble.

May 21, 1904.—1,350 soldiers sent to Mandali on account of a recrudescence of the events of the 17th July, 1900.

July 30, 1904.—Bussoorah Consul reports disturbances at Amarah. He says Bussoorah Vah left for Amarah with 100 soldiers, and that about 300 soldiers have arrived there from Bagdad. Bussoorah Consul states that in June Sadun Pasha appears to have surrounded and disarmed some 100 Turkish soldiers, but about the 2nd July Sadun was severely defeated by the Turks and escaped by flight.

September 19, 1904.—Disturbances between the Abu Muhammad and Bani Lam, near Amarah. Muhammad Pasha Daghestani telegraphs to Bagdad for 2,000 infantry and some guns.

September 14, 1904.—Vice-Consul at Kerkala reports an affray between the Jabal Shammar Arabs and the Anezi, in which a Turkish officer and sergeant lost their lives.

October 28, 1904.—Same officer reports that Anezi are still giving trouble. They had cut the telegraph wire to Nejef, and were troubling pilgrims en route.

April 12, 1905.—300 infantry and 20 artillery with one mountain gun left Bagdad for Nasariyah.

June 12, 1905.—The Turkish steamer "Kosafa" fired on by Arabs. The Shammar Toga Arabs suspected of the outrage. Muhammad Pasha Daghestani ordered to punish them.

Arabs and Kurds near Suwaymeh are also reported to have rebelled against the Government.

May 31, 1905.—Disturbances at Kufa between the Khamil Arabs and the Arabs of Nejef in which three persons were killed and two wounded. The other Arabs are said to be taking sides and more serious fighting is expected. Authorities have asked Vah for reinforcements and troops sent from Bagdad.

June 28, 1905.—Vice-Consul reports that the above quarrel was settled without further fighting.

May 31, 1905.—Disturbances on the Hindiyah, owing to the authorities trying to force the collection of taxes from the tribes. The tribes were angry at the attempt, killing nine and wounding others. Next morning the Arabs attacked the Turks, who retired to Tawari, where they are said to be in a state of siege.

July 20, 1908. —Disturbances between the El Grait and Albu Fatha tribes of the Hadyah district.

No. 59

Board of Trade to Foreign Office.—(Received October 13.)

WITH reference to

I am to request that this document, like that previously sent, may be regarded as strictly confidential.

I am, &c,
(Signed) ARTHUR WILSON FOX.

Treasure in No. 52.

* Colonisation Association, Paris, to Board of Trade

Memorandum

Recd. 12 5 Sept. 1906

L'All les communications que j'ai faites à l' Alliance Israélite sur les communautes
Jardins de Kurdistan et dont vous avez sans doute pris connaissance, et par les
quelques renseignements que je vous ai donnés par ma lettre du 16 Juillet, vous
vous êtes fait une idée de l'état trouble où se trouve la région comprise dans la Haute
Mésopotamie, dans la partie du Kurdistan comprises dans les Vilayets d'Alep, de
Diyarbakir,
et qui ne présente aucune sécurité relative que pour ceux qui portent un chapeau, qui sont sujets étrangers et qui,

Nogent, le 9 Août 1890.

En me rendant d'Erzurum à Diarbékir, plusieurs vilains me
 en cours de route, la faveur de m'accompagner, pour se rendre à telle ou
 telle localité, parce que les habitants de cette localité sont les ennemis de ceux de leur
 village. "Si nous sommes avec toi, qui es un étranger," disaient-ils, "ou ne nous inquié-
 tera-t-on."

J'étais souvent obligé de passer la nuit sous les tentes des Kurdes. Pour me faire

arboré deux drapeaux. A la faveur du drapeau Français, plusieurs keleka sont ren-

La région ne manque pas d'eau. Outre le Tigre, il y a de nombreuses sources à fleur de terre, comme cela se rencontre dans les pays basiliques, qui peuvent servir à l'irrigation des cultures. Les paysans s'en servent principalement pour la production du

ria. Cette céréale, cultivée en petite quantité, est d'une qualité supérieure. On en exporte un certain nombre d'hectolitres. Quant aux autres céréales, blé et orge, la culture ne s'étend pas, parce que l'exportation est difficile. Il n'y a presque pas de routes carrossables en bon état dans le vilayet. Le transport des marchandises se fait au moyen de bêtes de somme. Les ports d'embarquement sont Samoun, sur la Mer Noire (à 585 kilom. de distance), et Alexandrette, sur la Méditerranée (à 450 kilom. de distance). Les frais de transport reviennent à plus de 23 fr. les 100 kilog. de Diarbékir au premier port, et à près de 20 fr. jusqu'au second. On conçoit facilement que le transport de céréales est difficile dans ces conditions, que la culture ne s'étend pas au delà des besoins de la population locale, et que s'il y a un surplus dans la production il est conservé dans des silos, sous terre, comme une réserve pour les mauvaises années. Même remarque peut être faite pour la culture des vesces, des pois-chiches, et des lentilles, destinées uniquement à la consommation locale.

La seule branche agricole qui ait fait quelques progrès dans la région est la culture du mûrier et la sériciculture, grâce aux soins de l'Administration de la Dette Publique. L'industrie du tissage et de la broderie de soie est bien répandue à Diarbékir. Les timus de soie et les broderies en or, en argent ou en soie de différentes couleurs, remarquables par le fini de l'exécution, sont envoyés en Angleterre, en Allemagne et en France.

Je ne dois pas omettre de vous citer la remarquable culture de pastèques des environs de Diarbékir. Ces cucurbitacées atteignent une grosseur démesurée et arrivent à peser jusqu'à 40 à 50 kilog. pièce. La culture se fait sur les bords du Tigre, après que les eaux se sont retirées. On ne laboure pas le sol. On se contente de faire des trous sur le limon frais abandonné par le fleuve et on sème les graines dans ces trous. Les racines s'allongent dans un sol constamment frais et humide, et les fruits prennent un développement extraordinaire.

L'organisation des tribus dans le Kurdistan et le régime de la propriété rappellent absolument le régime féodal du Moyen-Age. Tous les paysans obéissent, groupés par tribus, à un Chef, à un Seigneur (Bey ou Agha). Presque toutes les terres appartiennent à ces Bays. Le paysan, dans la grande majorité des cas, ne possède absolument rien. Dans plusieurs parties de la région le Gouvernement n'a pas encore pu installer un cadastre, un cadastre. Les impôts féodaux sont fixés à l'amiable entre le Gouvernement et les Aghas. Ce sont ces derniers seuls qui s'entendent avec les autorités pour la perception de tous les impôts. Les Aghas ne remettent au Gouvernement qu'une très faible partie de ce qu'ils encaissent des paysans.

De Diarbékir à Mossoul et à Bagdad, je suis parti en "kélek" sur le Tigre. Jusqu'à Djézireh, le fleuve coule entre des collines encaissées. Au début, la rive droite paraît plus pierreuse, plus maillonnée, plus élevée que la rive gauche, qui est plus plate, plus limoneuse, plus abondante en eaux. En général, on peut dire que depuis Diarbékir jusqu'à Bagdad, la rive gauche paraît plus fertile, plus peuplée, plus cultivée que la rive droite. Presque tous les affluents du Tigre lui arrivent de la rive gauche.

Puis, les collines s'élèvent à la même hauteur des deux côtés du fleuve. Le Tigre alors passe entre des montagnes de même nature, de même construction, avec une stratification au même niveau. On dirait qu'une faille s'est produite au milieu de cette chaîne de collines pour laisser couler l'eau. Là, le fleuve n'apparaît pas comme une ligne de démarcation entre deux régions différentes. C'est plutôt un trait d'union. Les collines vont ensuite en diminuant de hauteur jusqu'à ce qu'elles s'éloignent et meurent complètement en arrivant à Djézireh. A partir de cette ville, c'est la plaine qui commence, la plaine à perte de vue des deux côtés du fleuve, la plaine monotone jusqu'aux confins de l'horizon.

La partie du Kurdistan qui dépend du Vilayet de Mossoul et qui s'étend depuis le Tigre jusqu'aux frontières de la Perse, quoique riche et fertile, est encore une des régions de la Turquie la moins sûre, la moins organisée. Je voulais la visiter et me suis rendu jusqu'à Souleimanieh, mais toutes les personnes au courant de mon projet m'ont absolument dissuadé et empêché d'entreprendre ce voyage dangereux.

Dans ces conditions, il était impossible d'entreprendre des études agricoles dans les vilayets de Diarbékir et de Mossoul. Je me suis borné à étudier du mieux que j'ai pu la situation des communautés Israélites, et je me suis rendu à Bagdad après avoir achevé ce travail.

Vouilles, &c.
(Signé) J. NIÈGE.

[35272]

No. 53.

Memorandum communicated to M. Cambon, October 24, 1906.

HIS Majesty's Government are advised that a difficulty has arisen in regard to the arrangement, demanded by the Powers as one of the conditions for their assent to the increase in the Turkish customs duties, by which the Council of the Ottoman Debt was to guarantee the deficit in any one year in the Macedonian Budget up to £ T. 250,000.

It appears that the German Delegate has expressed his strong disinclination to give any assurance to this effect until a question of outstanding advances, which are secured on the surplus revenues of the Debt Administration, has been settled.

The surplus for the current year is understood to be approximately £ T. 600,000. The fixed annual charges to be met from this source amount to £ T. 250,000, leaving a balance of £ T. 350,000. Against this, however, the Turkish Government have borrowed, in short loans, sums which in the aggregate reach £ T. 750,000; so that, under existing arrangements, there remains no surplus for at least two years from which the £ T. 250,000 can be drawn, if required, for Macedonia.

The British Delegate therefore proposes, and his French colleague, it is understood, concurs, that the date for the repayment of the short loans should be postponed, and that for the service of their interest and redemption there should be used only a part of the balance of £ T. 350,000 remaining after the fixed annual charges have been met. If £ T. 100,000 were used for this purpose, it would leave £ T. 250,000 for the guarantee for Macedonia.

This proposal is unfortunately opposed by the German Delegate, who, for reasons said to be unconnected with this question, wishes to meet the difficulty by placing other Turkish revenues under the control of the Council of the Debt. He suggests that the short loans should be cleared off by a loan à longue échéance, on the security of the Government's revenues from mines and forests, and that the requisite capital should be provided from the reserve fund of the Council of the Debt.

The British Delegate does not consider this proposal financially sound; he does not expect the Government will consent to assign the revenues in question; and he is of opinion that his colleagues, and especially the Austrian, will not agree to make so unusually large and unprecedented an advance from the reserve fund of the Debt. Finally, he would not himself be able to agree to the proposal without the previous consent of the British Syndicates, which, in his view, they would be amply justified in withholding.

It is hoped that the Ottoman Bank, which is the principal creditor of the Turkish Government in the matter of the short loans to which reference has been made, will recognize the advantages of the course proposed by the British Delegate, and if further difficulties occur His Majesty's Government trust that the French Delegate will be able to support his British colleagues.

Foreign Office, October 24, 1906.

[37137]

No. 54.

Sir A. Nicolson to Sir Edward Grey.—(Received November 3.)

(No. 288.)

(Telegraphic.) P.

St. Petersburg, November 3, 1906.

MINISTER for Foreign Affairs informed me to-day that he had gathered a general impression at Berlin that Germany could find the funds by herself to carry the Bagdad Railway line over the Taurus, but he doubted its further prolongation being possible without other assistance. He is in agreement that the line should be international, at any rate in regard to the last sections, and that Russia should discuss with us arrangement for our joint participation.

[37154]

No. 55.

Sir F. Lascelles to Sir Edward Grey.—(Received November 5.)

(No. 333. Very Confidential.)

Sir,

Berlin, October 20, 1908.

M. ISVOLSKY, who is spending a few days in Berlin on his return to St. Petersburg from Paris, and whose acquaintance I had the honour of making at a party at the Russian Embassy last night, was good enough to call upon me late this afternoon, as he wished to have some conversation with me. He said he was glad to think that a decided improvement had taken place in the relations between our two countries, and he was in hopes that a thorough and complete understanding might eventually be come to. For this, however, much time and patience would be required. Earnestly desiring, as he did, to arrive at such an understanding, it was necessary for him to take into account public opinion in Russia, which was still very suspicious of any rapprochement between England and Russia. Any attempt, therefore, to hurry on an agreement would probably give rise to difficulties and result in failure.

I observed that when his Excellency spoke of "public opinion" he referred not only to what was understood by the term in other countries, but also to the opinion of highly placed personages in Russia, not excluding perhaps some of his Excellency's colleagues. He did not deny that this was so, and went on to say that he had been struck by the admirable manner in which the English deputation which had proposed to visit Russia had been dissuaded from carrying out their intention. The visit would certainly have been inopportune, and would have caused embarrassment to the Government. Proposals had, indeed, been made to prevent the deputation from going either to St. Petersburg or Moscow. He had strongly opposed these proposals, and had insisted that no coercive measures should be taken against the deputation. He attributed the abandonment of the visit to the good sense of the newspaper correspondents and the British Colony, and perhaps more especially to the presence of Sir Donald Mackenzie Wallace in St. Petersburg, who had been able to give good advice. His Excellency also spoke in terms of the warmest praise of Sir Arthur Nicolson, who on this and indeed on every occasion had acted admirably. Although he had been but a comparatively short time in Russia, he had obtained a clear insight into the internal situation, which it was very difficult for any foreigner to understand. He was, indeed, the right man in the right place, and his clear and sound judgment would be of the greatest utility in carrying on the complicated negotiations which M. Isvolsky sincerely trusted would result in a satisfactory understanding.

On my saying that a beginning had been made by the two Governments agreeing to a joint advance to Persia, M. Isvolsky said that that was a step in the right direction. He greatly regretted the incident of the *Selatan* Telegraph, of which he was in complete ignorance when Sir Arthur Nicolson brought it to his notice. He had given orders that the *status quo* was to be maintained, and he had therefore been annoyed at hearing of the incident which had now been explained to be a matter of technical detail. I told M. Isvolsky that my previous knowledge of Persia made me appreciate the difficulties of the situation. The Persians were very suspicious, and could not understand why England and Russia should wish to come to terms, and feared that any arrangement between the two Great Powers could only be brought about at the expense of Persia. It would also be necessary to overcome the rivalry which was almost traditional between the agents of the two Governments. I knew from personal experience that it was perfectly possible for the British and Russian Ministers to remain on friendly terms, and I looked back with pleasure to my friendly intercourse with M. Bataow when we were colleagues at Tehran. M. Isvolsky said that the appointment of Sir Cecil Spring-Rice as British Minister at Tehran had given him the liveliest satisfaction. Sir Cecil was well acquainted both with Russia and Persia. He was on good terms with his Russian colleague. He would understand how necessary it was for Russia not merely to protect her enormous commercial interests in Persia, but also to maintain her secular traditions. There could be no doubt of the sincerity of his desire for a good understanding between England and Russia, and his knowledge and experience would be of great assistance in bringing it about. The accounts of the state of the Shah's health were most unsatisfactory, but M. Isvolsky did not anticipate any complications on His Majesty's death, and he believed that the Vahid, being supported both by England and Russia, would succeed his father peacefully.

M. Isvolsky referred to his recent visit to Paris. On his arrival there he had called on M. Bourgeois, who had just ceased to be Minister. The fact of his arriving during the Ministerial crisis had, however, had the advantage of enabling him to have a longer conversation with the President than perhaps would otherwise have been the case. M. Fallières had stated that he had made it a condition of intrusting M. Clemenceau with the formation of the Ministry, that there should be no change in the foreign policy of France. No doubt apprehensions had been felt in certain quarters at the fact of M. Clemenceau having become Prime Minister, but M. Isvolsky was convinced that he would pursue a prudent and peaceful policy with regard to foreign affairs, and would devote himself more especially to internal questions. He would certainly put in force the law with regard to the Church, but he had announced that he intended to do so without having recourse to force. M. Clemenceau was now at the head of a homogeneous Ministry, but it was doubtful how far this increased his power. The Ministers whom he had selected did not command many votes in the Chamber, and M. Isvolsky had gathered that the general impression in Paris was that his Ministry would not be of long duration, as the other groups in the Chamber would before long combine against him.

Since he had been in Berlin, M. Isvolsky had been received by the Emperor, and had had a long conversation with Prince Bülow, with whom he was going to dine to-night. He need not tell me how extraordinarily sensitive the Germans were with regard to any arrangement which might be come to between any two countries without their having been consulted. He was therefore not surprised at being told, shortly after his appointment as Minister for Foreign Affairs, by the German Ambassador in St. Petersburg, that the German Government, while hailing with satisfaction any arrangement between England and Russia which would contribute towards the maintenance of the peace of the world, expected to be consulted with regard to any points in such an Agreement which might affect German interests. He had replied that the understanding which might eventually be arrived at between England and Russia merely aimed at removing the causes of friction which were due to their respective interests in the East. It certainly would not be directed against any other country, and he asked what were the German interests to which the Ambassador had alluded. The answer had been, as he had expected, the Bagdad Railway. He had expressed the opinion that the Bagdad Railway should be considered as a German undertaking, and that Germany should certainly be consulted in any question connected with it. As Germany was seeking for the participation of English, French, and Russian capital in this undertaking, he was strongly of opinion that any negotiations on the subject should be conducted by the four Powers conjointly, and not separately. During his recent visit to Paris, he had again expressed this opinion, in which the French Government concurred, and he had repeated it in his conversation with Prince Bülow, whom, he believed, he had convinced that an understanding between England and Russia would not in any way be directed against Germany. It would, he said, be ridiculous to suppose that Russia, considering her geographical position, and the internal condition of the country, could deliberately seek a quarrel with Germany.

There was one question which M. Isvolsky considered should at once engage the attention of the Great Powers, and that was, the reform of the Judiciary in Macedonia. He had not yet heard whether the Sultan had agreed to the conditions contained in the last note presented by the Ambassadors at Constantinople on the subject of the increase of the customs duties. He had, however, little doubt that he would do so, and that sufficient money would then be found to defray the expenses of the Administration. He considered it essential that the judicial reform should then be undertaken, and he believed that if this were done, the Civil Agents and the Financial Commission would be able to effect a real improvement in the condition of the country. He did not anticipate any immediate complications in the Balkans, such as would undoubtedly have broken out if the Powers had permitted the annexation of Crete by Greece. The Bulgarians would in that case certainly have demanded some territorial compensation, and would have resorted to force had it been denied them. I said that it appeared to me that this demand of the Bulgarians was unreasonable, as none of the other Balkan States had received compensation when Eastern Roumelia was united to Bulgaria. M. Isvolsky smiled, and said that this took place so long ago that people had forgotten all about it. I asked whether he thought that there would be danger of complications arising in the event of the death of the Sultan. He replied that he did not see any reason for alarm, and he thought that the Sultan's successor would be allowed to take peaceful possession of the Throne. He had been

glad to hear that the Sultan had recovered his health, and that his illness had not been so severe as had been generally supposed. In his opinion, a more serious situation would be created if the Emperor of Austria were to disappear from the scene. As long as His Majesty lived, it was not probable that there would be any serious trouble in his dominions, and the demand of the Hungarians for separation from Austria would not probably take effect during His Majesty's lifetime, which it was earnestly to be hoped might be prolonged for many years.

On my observing that I had been glad to see that there had been some improvement in the internal condition of Russia, M. Isvolsky said that this certainly was the case, and was due to the wise action of M. Stolypin, who was admirably fitted to conduct the internal affairs at this difficult moment. He was a man of great strength of character and very calm.

The terrible calamity which had befallen his family had raised him in the general estimation, as, even on the night of the catastrophe itself, he devoted himself to his work as usual. He never flinched, and although he would resolutely maintain order, he was a "progressive" man.

On taking leave of me, M. Isvolsky again expressed his great satisfaction that Sir Arthur Nicolson was now His Majesty's Ambassador at St. Petersburg, and his sincere hope that the negotiations in which they were engaged would lead to a complete understanding between England and Russia.

I will take the opportunity of the messenger who will leave Berlin on the evening of the 1st proximo for St. Petersburg and Tehran to send a copy of this despatch to Sir Arthur Nicolson and Sir Cecil Spring-Rice.

I have, &c.
(Signed) FRANK C. LASCELLES.

[37137] No. 56.

Sir Edward Grey to Sir A. Nicolson.

(No. 437.)
(Telegraphic.) P. Foreign Office, November 5, 1906.
ANGLO-RUSSIAN participation in the Bagdad Railway. With reference to your telegram No. 288 of the 3rd instant.

We should not postpone till an indefinite date the discussion with the Russian Government on this subject, and it will be of use to us to know what they propose with regard to their participation in the scheme.

[37400] No. 57.

Mr. G. Barclay to Sir Edward Grey.—(Received November 6.)

(No. 737.)
Sir, Constantinople, November 3, 1906.

I HAVE the honour to forward an extract from the "Levant Herald," according to which the work in connection with the extension of the Bagdad Railway to Adana is to be begun next March.

I have, &c.
(Signed) G. BARCLAY.

Inclosure in No. 57.

Extract from the "Levant Herald" of October 31, 1906.

LA Direction du Chemin de Fer d'Asie Mineure dont le prolongement constituera la ligne de Bagdad, se préoccupe de la construction d'un nouveau tronçon allant de Boulgourlou à Adana; l'entreprise en sera de nouveau confiée à la maison Olizmann de Francfort. Une vingtaine d'ingénieurs travaillent à Francfort jour et nuit pour mettre au point les tracés et les plans des travaux d'art. Les travaux commenceront au mois de Mars.

Le Directeur des Travaux, M. Ritter, est déjà arrivé en notre ville. Deux ingénieurs Allemands sont partis de Haidar Pacha pour étudier la transformation de la rade de Mersine en port d'aboutissement, ou la création d'un port à Youmourtalik, à côté de Mersine. La Compagnie Allemande aurait réalisé les fonds pour cette construction. Ces fonds auraient été fournis par un Syndicat Français dont on fait la constitution et un groupe de capitalistes Anglais.

[37536] No. 58.

Sir A. Nicolson to Sir Edward Grey.—(Received November 7.)

(No. 293.)
(Telegraphic.) P. St. Petersburg, November 7, 1906.

YOUR telegram No. 437 of the 5th instant.

Minister for Foreign Affairs, in reply to my inquiry as to manner and form of Russia's participation in the Bagdad Railway, said that he would have to consult with his colleagues and obtain the consent of the Cabinet to participation before being able to give me a definite opinion, and asked if I had any proposals to make. I said that, though I had no specific proposals, I imagined we would follow the line suggested in 1902 during the negotiation between the German and British financiers, namely, an equal number of representatives on the Administration and an equal division of shares.

I inquired of him the opinion in Paris towards the participation. He said M. Bourgeois' view was that all four Powers should negotiate in concert. He added that France had, he understood, been holding back till the Russian Government should agree. I replied that we had been in the same position, but that it was time now to seriously consider the question.

He asked if he might have a Memorandum on the proposals made during the Anglo-German negotiations of 1902, not in the form of proposals made by us, but merely for his own guidance and information. I said I would suggest the matter to you. May I have such a Memorandum?

[37916] No. 59.

Sir Edward Grey to Sir F. Bertie.

(No. 621.)
Sir, Foreign Office, November 8, 1906.

I TOLD M. Cambon to-day that M. Isvolsky was favourable to Russian participation in the Bagdad Railway, and was consulting with his colleagues, in order to get their consent. He had asked us to give him a Memorandum on our views as to participation.

M. Cambon was strongly of opinion that we should wait for overtures from Germany.

I said that it would be desirable that the French Government should let the Russian Government know that that was their opinion. I proposed to say so to the Russian Government, but I thought I must also say something a little more positive to them. I would tell them that the Bagdad Railway did not concern us at its present stage, but if it was to be developed into a through line leading to the Persian Gulf it would raise a political question, and should, I thought, be under the international control of the four Powers. Russia would, of course, be one of them, and might secure a direct interest in the line by arranging with the Persian Government to make a line of her own through North-West Persia to join the Bagdad Railway, by which means she would share in the international outlet on the Gulf.

I am, &c.
(Signed) EDWARD GREY.

[37928] No. 60.

Sir A. Nicolson to Sir Edward Grey.—(Received November 12.)

(No. 736.)
Sir, St. Petersburg, November 4, 1906.

DURING the course of my conversation yesterday with M. Isvolsky the question of the Bagdad Railway was mentioned, and I inquired of his Excellency whether he had ascertained anything while at Berlin of the views of the German Government on that subject.

M. Isvolsky said that he had gathered generally, he had received no official information, that the German Syndicate had sufficient funds to enable them to construct the line over or through the Taurus, but that from that point to the terminus they would find difficulty in carrying on the undertaking without foreign assistance. He was fully alive to the necessity of the British and Russian Governments acting conjointly in the matter, and he would speak to me later on the subject when he had cleared off some of the work which had accumulated during his absence.

I said that I knew that you were willing that the line should be international, and that, therefore, Russia and Great Britain must participate in it, and I would be happy to return to the matter on another occasion.

I have, &c.
(Signed) A. NICOLSON.

[37938]

No. 61.

Sir A. Nicolson to Sir Edward Grey.—(Received November 12.)

(No. 746.)

Sir,

St. Petersburg, November 7, 1906.

I INFORMED M. Isvolsky to-day that you desired to know in what form and in what manner the Russian Government proposed to participate in the Bagdad Railway, so that we might be able to examine in what way we could associate ourselves with them. M. Isvolsky said that he had not yet studied the question fully, and he had not yet framed any definite opinion as to how the question should be approached. Was I, he asked, in a position to give him any suggestions? I told him that I had no specific proposals to make to him, but I had been reading lately some papers on the subject, and I observed that in the discussions which had taken place in 1902 between British and German financiers there seemed to be an idea of dividing the shares into equal portions with a corresponding representation, I presumed, on the Administration. His Excellency asked me if I could give him a Memorandum on these proposals, simply for his own information and guidance, so that he might have some basis to go upon when discussing the matter with his colleagues in the Cabinet. I told him that I could not do so without authority, and, indeed, I did not know whether what was suggested in 1902 still held good. I would inquire of you whether I might be placed in a position to give him some information as to your views or of those of British financiers. I should be grateful if I could be furnished with a paper which I could communicate to M. Isvolsky which would be of assistance to him.

I said that I understood that the Russian Government were now ready to participate in the project, and had desisted from their former opposition to it. His Excellency said that he personally was in favour of participation, but that on the part of some of his colleagues there were still doubts and hesitations. He added that formerly there was a practice for one Ministry to take a decision which would be subsequently counteracted by the steps adopted by another Ministry, and this system, or want of system, led to endless confusion, especially in international affairs. Perhaps, he observed with a smile, my Embassy had had some experience of this want of unity among the several Ministries. Now a new departure had been taken, and any question of foreign or general policy was discussed and decided upon by the Cabinet as a whole.

I asked him if during his visit in Paris he had ascertained what view the French Government took in regard to the Bagdad Railway. His Excellency said that M. Bourgeois had told him that he was of opinion that all the four Powers, and not only three as hitherto, should arrive at a common understanding. Russia, as I knew, had hitherto held aloof, and this had prevented France from deciding upon her course of action. He hoped now that we all should be agreed, and, so far as I could judge, he did not seem to anticipate any great difficulty in persuading his doubtful colleagues to consent to taking part in common action. I told M. Isvolsky that we wished to associate ourselves with the Russian Government, and that it would be well if discussions were not unduly prolonged. His Excellency repeated that if I could obtain for him some information as to the mode of participation he would be grateful. He would treat it merely as supplied for his own guidance.

I have, &c.
(Signed) A. NICOLSON.

P.S.—I had the honour to inform you of the substance of the above in my telegram No. 290 of to-day. A. N.